

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF OTTUMWA, IOWA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2012

DEPARTMENT OF FINANCE

ROBERT P. JAY, JR.
DIRECTOR OF FINANCE

CITY OF OTTUMWA, IOWA

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COMPREHENSIVE ANNUAL REPORT

CITY OF OTTUMWA, IOWA

MAYOR - COUNCIL

MAYOR	TERM EXPIRES
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Frank Flanders	January 2, 2014
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CITY COUNCIL	TERM EXPIRES
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Jeremy Weller	January 2, 2014
Brian Morgan	January 2, 2014
Bob Meyers	January 2, 2014
John Richards	January 2, 2016
Mitch Niner	January 2, 2016

CITY CLERK

Amanda Valent

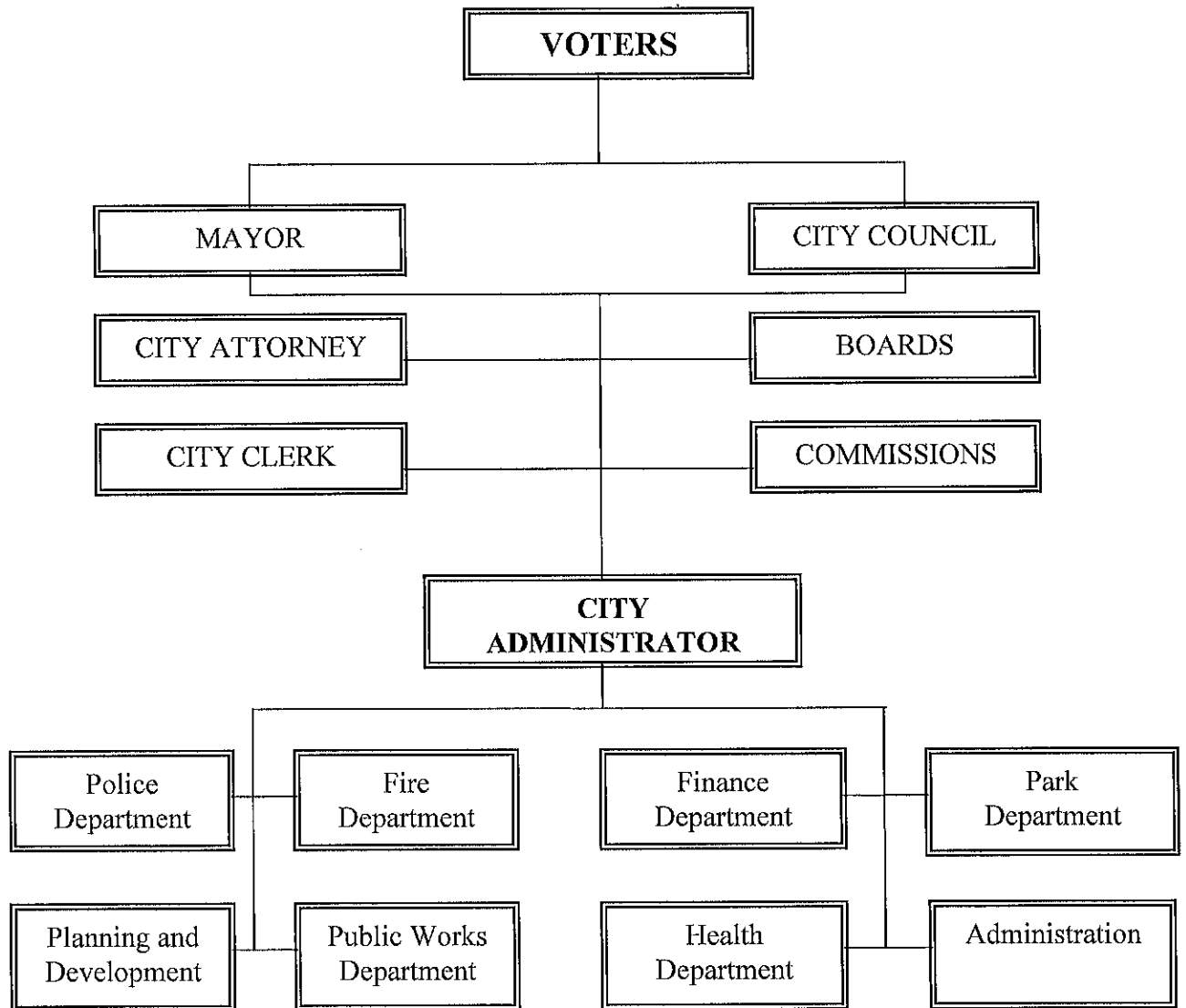
CITY ADMINISTRATOR

Joseph Helfenberger

CITY ATTORNEY

Joni Keith

CITY OF OTTUMWA





January 17, 2013

To the Honorable Mayor, Members of the
City Council, City Administrator
and Citizens of the City of Ottumwa

State law requires that every City with a population over 700 complete a set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Anderson, Larkin & Co. P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Ottumwa's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Ottumwa, incorporated in 1851, is located in the southeastern part of the state. It currently occupies 16 square miles and serves a population of 25,023. The City of Ottumwa is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation.

The City of Ottumwa has operated under the Mayor-Council form of government since 1988 with an appointed city administrator. Policy-making and legislative authority are vested in the City Council consisting of five members, all elected on a non-partisan basis. The Council appoints the city administrator, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three and two members elected every two years. The mayor is elected for a two-year term. The mayor and council members are all elected at large.

The City of Ottumwa provides a full range of municipal services. These services include public safety (Police and Fire), solid waste disposal, parks and recreation, planning and zoning, water and sewer, public improvements, airport, health and social services, mass transportation and general administrative services.

The Ottumwa Housing Authority and Ottumwa Water & Hydro are considered by the City to be substantially autonomous organizations and are, therefore, not included in this report. The City has two funds that are presented on discrete presentation basis. They are the Hazardous Materials (operated by the Ottumwa Fire Department) and 10-15 Transit (operated by the Ottumwa Transit Authority) funds. Both are the result of Chapter 28.e. agreements executed by County governments in Southeast Iowa. The City is in charge of accounting, cash management and financial reporting for these 28.e organizations, however, they operate autonomously from the City Council, thus they are presented discretely.

In accordance with the Code of Iowa, the City Council annually adopts a budget on substantially the same basis used for financial reporting following required public notice and hearing for all funds. The City budgets capital items and debt principal in the proprietary funds. In addition, depreciation is not budgeted in the proprietary funds. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification of the city administrator. The budget is formally amended by the City Council following the required public notice and hearing. Annual appropriated budgets are adopted for all City funds. All annual appropriations lapse at fiscal year end.

Formal and legal budgetary control is based upon nine major classes of expenditures, known as functions, not by fund. These nine functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Expenditures may not exceed the overall appropriation for the City. Management may transfer appropriations within each function.

The city administrator presents the annual budget to the City Council for consideration no later than January 31. The Council holds hearings with the public prior to the budget being adopted. By March 15, the adopted budget is certified to the County Auditor who, in turn, certifies the City budget to the Iowa Department of Management.

This budget is effective July 1 and becomes the appropriations for the fiscal year. Strong emphasis is placed on monitoring of budgets especially by major classifications such as personal services, commodities and contractual services and capital outlay. Monthly reports are prepared for each activity and program in order to assure that program expenditures do not exceed budgeted amounts.

Ottumwa has a diversified industrial base and is the manufacturing center for Southeast Iowa. Cargill Meat Solutions and John Deere Ottumwa Works employ 2,250 and 950 respectively. Please refer to the statistical section for more information on major employers in the City.

Public safety costs continue to increase and consume 81% of the net General Fund expenditures (property taxes). Expenses for Public Service have been increasing as well due in part to using local option sales tax to finance an expanded street repair program.

Long-term Financial Planning

The unassigned fund balance in the General Fund was 29% of General Fund revenue. The City Council does not have a formal policy on a targeted fund balance.

Major Initiatives

The Ottumwa Sewer Separation Project's are under construction. Phase 1 was completed June 30, 2008 at a cost of approximately \$9 million. Phase 2 was completed May 6, 2011 at a cost of approximately \$6 million. Phase 3 has been completed with a cost of \$7.4 million. Continental Properties LLC has developed a ten acre site for a new Kohl's department store that opened in the fall of 2012. The Water Pollution Control Facility project has been completed at a cost of \$3.4 million. The West End Flood Mitigation Project has been funded with a \$12.2 million FEMA Grant with \$4.06 million in CDBG funding. The City voters recently extended the Local Option Sales Tax for an additional ten years till December 2025. Other Construction and Planning and Design funding comes from a combination of CDBG grants and Iowa Finance Authority State Revolving (SRF) loans. The SRF loans are being repaid with a combination of local option sales tax proceeds and sewer fee revenue.

The City of Ottumwa in cooperation with Ottumwa Water & Hydro will be installing additional infrastructure at the Ottumwa Industrial Airport and Ottumwa Water & Hydro has installed a new water line to the Ottumwa Industrial Airport at a combined project cost of \$3.1 million. This project is being funded with an Economic Development Administration grant and funds provided by the City of Ottumwa and Ottumwa Water & Hydro. These projects are estimated to be completed next fiscal year.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ottumwa for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the eighteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the city administrator, mayor and the City council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Ottumwa's finances.

Respectfully submitted,



Robert P. Jay, Jr.
Director of Finance/City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ottumwa
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Enen

Executive Director

CITY OF OTTUMWA, IOWA



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Ottumwa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, at June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2013 on our consideration of the City of Ottumwa, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 8 and 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted accounting principles, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ottumwa, Iowa's basic financial statements. The supplementary information included in Schedules 1 through 15, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
January 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ottumwa, Iowa, we offer readers of the City of Ottumwa's financial statements this narrative overview and analysis of the financial statements of the City of Ottumwa for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages VI to VIII of this report.

Financial Highlights

- The assets of the City of Ottumwa exceeded its liabilities at the close of June 30, 2012, by \$104.3 million (net assets). Of this amount, \$21.0 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net assets increased by \$3.6 million.
- At the close of the current fiscal year, the City of Ottumwa's governmental funds reported combined ending fund balances of \$15.4 million, a decrease of \$1.1 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2.9 million, or 24 percent of the total general fund expenditures.
- Total City debt decreased by \$1.28 million (4 percent) during the current fiscal year. The City issued \$11.8 million new bonds and retired \$13.0 million of existing bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Ottumwa's basic financial statements. The City of Ottumwa's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The first two statements are highly condensed and present a government-wide view of the City's finances. The governmental activities of the City of Ottumwa include general government, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities. The major business-type activities of the City include solid waste, sewer system and events center. Included within other business type activities are a transit system, and a golf course. The City's two component units, Hazardous Materials and 10-15 Transit System, are also included. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets. The Statement of Net Assets presents information on all of the City of Ottumwa's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Starting with the adoption of GASB 34, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business activities have long reported capital assets and long-term liabilities.

The Statement of Activities is also included in the government-wide financial statements. The focus of the Statement of Activities is to show how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide statements include the Statement of Net Assets and the Statement of Activities and can be found on pages 9 through 11 of this report.

Statement of Net Assets as of June 30, 2012 and 2011:

This section discusses and analyzes the significant differences between this and the prior fiscal year. A condensed version of the Statement of Net Assets as of June 30, 2012 and 2011 follows:

Statement of Net Assets at Year-end (In Thousands)

	June 30, 2012			June 30, 2011		
	Governmental Activities	Business Type Activities	Total Government	Governmental Activities	Business Type Activities	Total Government
Cash and investments	\$ 17,814.8	\$ 7,511.5	\$ 25,326.3	\$ 18,649.2	\$ 5,560.9	\$ 24,210.1
Other assets	15,402.7	2,015.2	17,417.9	15,652.3	3,361.4	19,013.7
Capital assets	<u>46,870.5</u>	<u>64,675.0</u>	<u>111,545.5</u>	<u>44,002.6</u>	<u>64,684.3</u>	<u>108,686.9</u>
Total assets	<u>80,088.0</u>	<u>74,201.7</u>	<u>154,289.7</u>	<u>78,304.1</u>	<u>73,606.6</u>	<u>151,910.7</u>
Current liabilities	18,783.1	5,306.3	24,089.4	19,437.7	4,949.3	24,387.0
Noncurrent liabilities	<u>5,679.9</u>	<u>20,220.5</u>	<u>25,900.4</u>	<u>5,153.2</u>	<u>22,071.5</u>	<u>27,224.7</u>
Total liabilities	<u>24,463.0</u>	<u>25,526.8</u>	<u>49,989.8</u>	<u>24,590.9</u>	<u>27,020.8</u>	<u>51,611.7</u>
Net assets:						
Invested in capital assets, net of related debt	39,873.0	42,240.3	82,113.3	37,392.6	41,333.8	78,726.4
Restricted	1,075.1	95.0	1,170.1	1,099.0	95.0	1,194.0
Unrestricted	<u>14,676.9</u>	<u>6,339.6</u>	<u>21,016.5</u>	<u>15,221.6</u>	<u>5,157.0</u>	<u>20,378.6</u>
Total net assets	\$ <u>55,625.0</u>	\$ <u>48,674.9</u>	\$ <u>104,299.9</u>	\$ <u>53,713.2</u>	\$ <u>46,585.8</u>	\$ <u>100,299.0</u>

Governmental Activities

The net assets for governmental activities increased approximately \$1.5 million or 2.8 percent. This increase is primarily the result of a \$2.5 million increase in capital assets net of related debt and \$545,000 decrease in unrestricted assets.

Business-Type Activities

Net assets increased \$2 million or 4.48% for fiscal year 2012. This is primarily the result of an increase in net transfers in from other funds.

Statement of Activities for the Fiscal Years Ended June 30, 2012 and 2011:

A summary version of the Statement of Activities follows:

Governmental and Proprietary Activities For Fiscal Years Ended June 30, 2012 and 2011 (In Thousands)

	June 30, 2012			June 30, 2011		
	Governmental Activities	Business Type Activities	Total Government	Governmental Activities	Business Type Activities	Total Government
Revenues:						
Charges for services	\$ 6,927.3	\$ 9,765.1	\$ 16,692.4	\$ 7,712.9	\$ 9,090.8	\$ 16,803.7
Operating grants and contributions	3,088.0	548.7	3,636.7	3,054.5	1,279.7	4,334.2
Capital grants and contributions	2,150.7	781.6	2,932.3	2,060.9	1,023.5	3,084.4
General revenues:						
Property taxes	12,449.6	380.1	12,829.7	11,821.1	388.9	12,210.0
Local option sales tax	3,060.9	-	3,060.9	3,074.8	-	3,074.8
Other taxes	606.9	-	606.9	610.9	-	610.9
Investment income	95.1	60.9	156.0	102.4	55.8	158.2
Other	<u>44.6</u>	<u>-</u>	<u>44.6</u>	<u>48.5</u>	<u>-</u>	<u>48.5</u>
Total revenues	\$ <u>28,423.1</u>	\$ <u>11,536.4</u>	\$ <u>39,959.5</u>	\$ <u>28,486.0</u>	\$ <u>11,838.7</u>	\$ <u>40,324.7</u>

	<u>June 30, 2012</u>			<u>June 30, 2011</u>		
	Governmental	Business	Total	Governmental	Business	Total
	Activities	Type	Government	Activities	Type	Government
		Activities			Activities	
Expenses:						
General government	\$ 2,504.0	\$ -	\$ 2,504.0	\$ 2,454.2	\$ -	\$ 2,454.2
Public safety	7,956.9	-	7,956.9	7,878.2	-	7,878.2
Public services	8,286.3	-	8,286.3	7,865.3	-	7,865.3
Culture and recreation	3,086.1	-	3,086.1	2,606.6	-	2,606.6
Community development	2,384.3	-	2,384.3	1,672.3	-	1,672.3
Interest on long-term debt	509.4	-	509.4	472.2	-	472.2
Solid waste	-	2,123.7	2,123.7	-	2,117.8	2,117.8
Sewer utility	-	5,997.0	5,997.0	-	5,866.2	5,866.2
Events center	-	2,040.6	2,040.6	-	1,684.4	1,684.4
Ottumwa Transit	-	1,403.4	1,403.4	-	1,507.9	1,507.9
Golf course	-	62.5	62.5	-	72.5	72.5
Total expenses	<u>24,727.0</u>	<u>11,627.2</u>	<u>36,354.2</u>	<u>22,948.8</u>	<u>11,248.8</u>	<u>34,197.6</u>
Excess (deficiency) of revenue over (under) expenses	3,696.1	(90.8)	3,605.3	5,537.0	589.9	6,126.9
Transfers	<u>(2,179.9)</u>	<u>2,179.9</u>	<u>-</u>	<u>(2,036.1)</u>	<u>2,036.1</u>	<u>-</u>
Change in net assets	1,516.2	2,089.1	3,605.3	3,500.9	2,626.0	6,126.9
Beginning net assets, as restated	<u>54,108.7</u>	<u>46,585.8</u>	<u>100,694.5</u>	<u>50,607.8</u>	<u>43,959.8</u>	<u>94,567.6</u>
Ending net assets	\$ <u>55,624.9</u>	\$ <u>48,674.9</u>	\$ <u>104,299.8</u>	\$ <u>54,108.7</u>	\$ <u>46,585.8</u>	\$ <u>100,694.5</u>

Governmental Activities

Charges for services make up 24 percent of governmental revenues. The remaining revenue comes from taxes, primarily property taxes (44 percent), capital grants and contributions (8 percent) and operating grants and contributions (11 percent).

Business Type Activities

In most years, charges for services is the primary revenue source for business type activities. Sewer fees make up the largest portion (52 percent) of total revenues. Other significant items are landfill fees at 24 percent and Event Center fees at 8 percent of total revenue.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, and the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ottumwa maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Road Use Tax, Local Option Sales Tax, Employee Benefits, Street Projects and Debt Service Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found elsewhere in the report. The basic governmental fund financial statements can be found on pages 12 through 17.

Significant changes in fund balances are summarized below:

General Fund – Decreased \$21,206 primarily due to the increase in public safety and public works expenditures being greater than the increase in property tax, intergovernmental and charges for service revenue. Additionally, net other financing sources decreased from the prior year.

State Road Use Tax – Increased \$329,565 primarily due to a decrease in expenditures.

Local Option Sales Tax – Increased \$772,623 due to a decrease in transfers out.

Employee Benefits – Increased \$62,899 primarily due to an increase in property taxes received.

Street Projects – Decreased \$1,858,780 as the result of an increase in capital outlay on street projects.

Debt Service – Decreased \$39,788 as the result of the decrease in net other financing sources being greater than the decrease in debt service costs.

Proprietary Funds

The City of Ottumwa maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Solid Waste, Events Center, Golf Course and Transit System. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Ottumwa uses internal service funds to account for its payroll clearing, equipment purchasing and employee insurance functions. Because all of these services predominately benefit governmental rather than business type functions, they have been included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste, Sewer Utility and Events Center as these are considered major proprietary funds of the City. Data from the other two enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All Internal Service funds are combined into a single aggregate presentation in the proprietary fund financial statements. Individual fund amounts for internal service funds are provided in the form of combining statements found elsewhere in this report. The basic proprietary financial statements can be found on pages 18 through 23 of this report.

Significant changes in net assets are summarized below:

Solid Waste – Increased \$642,351, which is primarily the result of increased revenue over the previous year.

Sewer Utility – Increased \$1.1 million due to an increase in revenue, and a net increase of transfers in.

Events Center – Increased \$552,113. This is an increase comparable to the previous year and is primarily due to no transfers out being made and an increase in event revenue.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the amounts provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budget to actual comparisons for all budgetary funds and a schedule of funding progress for the Retiree Health Plan. This required supplementary information can be found on pages 54 through 57 of this report.

The combining statements referred to earlier in connection with non-major special revenue, capital projects, and permanent funds (governmental), non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information discussed above. Combining and individual fund statements and schedules can be found on pages 58 through 75 of this report. Additionally, the Schedule of Expenditures of Federal Awards can be found on pages 76-77 of this report.

Budgetary Highlights

The City had one budget amendment during the fiscal year. The following summarizes the impact of the amendments on the General Fund. Total budgeted expenditures and transfers out increased \$17,375,581. Public Safety increased \$386,900, Public Works increased \$988,046, Health and Human Services increased \$68,746 and Culture and Recreation increased \$646,072. Community and Economic Development increased \$1,045,703. General Government increased \$3,753. Capital Projects increased \$344,701. Debt Service increased \$3,226,903. Business Type/Enterprises increased \$6,005,449 and Transfers Out increased \$4,659,308.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the City had invested \$110.5 million in capital assets as reflected in the following table. This investment includes land, buildings, improvements, machinery and equipment. Infrastructure is also included. Additional information on the City of Ottumwa's capital assets can be found in the notes on pages 33 through 37 of this report.

Capital Assets at Fiscal Year-End (Net of Depreciation) (In Thousand's)

	Governmental Activities		Business Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,542.8	\$ 3,532.8	\$ 1,854.4	\$ 1,854.4	\$ 5,397.2	\$ 5,387.2
Buildings	3,564.3	3,624.2	30,481.2	31,827.2	34,045.5	35,451.4
Improvements other than buildings	664.1	704.3	5,216.1	5,394.6	5,880.2	6,098.9
Machinery and equipment	2,344.8	2,248.9	2,508.4	2,932.0	4,853.2	5,180.9
Infrastructure	32,144.3	30,871.9	23,157.9	14,810.0	55,302.2	45,681.9
Intangibles	-	-	115.1	229.8	115.1	229.8
Construction in progress	4,610.2	3,020.5	341.7	7,388.8	4,951.9	10,409.3
Total	\$ <u>46,870.5</u>	\$ <u>44,002.6</u>	\$ <u>63,674.8</u>	\$ <u>64,436.8</u>	\$ <u>110,545.3</u>	\$ <u>108,439.4</u>

The following table reconciles the changes in capital assets. Included with additions are increases in construction in progress balances.

Change in Capital Assets (In Thousand's)

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$ 44,002.6	\$ 64,436.8	\$ 108,439.4
Additions, net of disposals	6,373.4	2,627.5	9,000.9
Depreciation, net of disposals	<u>3,505.5</u>	<u>3,389.5</u>	<u>6,895.0</u>
Ending balance	\$ <u>46,870.5</u>	\$ <u>63,674.8</u>	\$ <u>110,545.3</u>

Debt Administration

The amount of debt outstanding at fiscal year end was \$28.4 million as compared to \$29.7 million last fiscal year. New debt issued during the year amounted to \$11.8 million, while a total of \$13.1 million was retired. Of the total debt outstanding, \$15.9 million is backed by the full faith and credit of the City. The remaining \$12.5 million is backed by sewer revenue.

		Outstanding Debt at Year End (In Thousand's)	
		Total	
		<u>2012</u>	<u>2011</u>
Governmental			
General obligation			
Abated by:			
Property taxes	\$	3,521.0	\$ 5,440.8
Tax increment		<u>3,476.5</u>	<u>1,169.2</u>
Subtotals		<u>6,997.5</u>	<u>6,610.0</u>
Business type			
General obligation			
Abated by:			
Events center/Sales tax		2,360.0	3,505.0
Sewer utility/Sales tax		5,952.7	6,562.7
Solid waste		450.0	675.0
Golf course/Property taxes		177.5	300.0
Sewer revenue		<u>12,494.2</u>	<u>12,060.3</u>
Subtotals		<u>21,434.4</u>	<u>23,103.0</u>
Totals	\$	<u>28,431.9</u>	\$ <u>29,713.0</u>

Moody's Investor Services has rated the City's general obligation bonds A1.

For more detailed information on the City's debt and amortization terms, please refer to pages 38 through 40 and 44 through 46 of the Notes to Financial Statements.

Economic Factors

Taxable sales remain virtually unchanged.

During the current fiscal year, the unassigned fund balance in the general fund increased to \$2,918,590, an increase of \$268,730 from last year. This was due to an increase primarily in property tax revenue and charges for service.

Next Year's Budget and Rates

Taxable values increased by 6.2 percent which increased the general fund revenue by \$295,038. The total tax levy increased 30.6 per \$1,000 or 1.5 percent.

Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need financial information, please contact the Office of the Director of Finance/City Treasurer at City Hall, 105 East Third Street, Ottumwa, Iowa 52501-2904.

CITY OF OTTUMWA, IOWA

Exhibit 1

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Hazardous Materials	10-15 Transit	
Current assets:						
Cash and cash equivalents	\$ 17,814,802	\$ 7,511,518	\$ 25,326,320	\$ 97,755	\$ 208,732	\$ 25,632,807
Receivables:						
Property taxes	13,045,350	535,833	13,581,183	-	-	13,581,183
Accounts	357,058	581,084	938,142	-	43,924	982,066
Due from other governments	1,659,489	654,731	2,314,220	1,773	-	2,315,993
Inventory	71,307	-	71,307	-	-	71,307
Prepaid expenses	244,457	243,594	488,051	7,002	14,357	509,410
Total current assets	33,192,463	9,526,760	42,719,223	106,530	267,013	43,092,766
Noncurrent assets:						
Due from other governments	-	1,000,318	1,000,318	-	-	1,000,318
Deposit	25,000	-	25,000	-	-	25,000
Capital assets:						
Land	3,542,781	1,854,376	5,397,157	-	-	5,397,157
Buildings	12,601,166	47,175,634	59,776,800	204,082	35,318	60,016,200
Improvements other than buildings	1,704,114	9,382,903	11,087,017	-	-	11,087,017
Machinery and equipment	10,478,253	10,075,560	20,553,813	200,803	3,256,067	24,010,883
Infrastructure	70,232,864	26,121,053	96,353,917	-	-	96,353,917
Construction in progress	4,610,227	341,870	4,951,897	-	-	4,951,897
Less accumulated depreciation	(56,298,950)	(31,391,639)	(87,690,589)	(226,611)	(2,389,281)	(90,306,481)
Intangible assets	-	546,260	546,260	-	-	546,260
Less amortization	-	(431,139)	(431,139)	-	-	(431,139)
Total noncurrent assets	46,895,455	64,674,996	111,570,451	178,274	902,104	112,650,829
TOTAL ASSETS	\$ 80,087,918	\$ 74,201,756	\$ 154,289,674	\$ 284,804	\$ 1,169,117	\$ 155,743,595
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 2,261,530	\$ 467,109	\$ 2,728,639	\$ 821	\$ 5,854	\$ 2,735,314
Wages and benefits payable	361,800	84,200	446,000	-	25,600	471,600
Due to other governments	-	91,459	91,459	-	114,431	205,890
Accrued interest payable	16,222	39,178	55,400	-	-	55,400
Unearned property tax revenue	12,733,779	525,891	13,259,670	-	-	13,259,670
Unearned revenue	215,066	-	215,066	-	-	215,066
General obligation bonds/notes	2,588,500	2,221,500	4,810,000	-	-	4,810,000
Revenue notes	-	1,766,233	1,766,233	-	-	1,766,233
Compensated absences	606,245	110,759	717,004	-	5,252	722,256
Total current liabilities	18,783,142	5,308,329	24,089,471	821	151,137	24,241,429
Long-term liabilities:						
General obligation bonds/notes	4,409,000	6,718,675	11,127,675	-	-	11,127,675
Revenue notes	-	10,728,000	10,728,000	-	-	10,728,000
Compensated absences	77,737	-	77,737	-	-	77,737
Accrued landfill costs:						
Closure	-	1,210,604	1,210,604	-	-	1,210,604
Post closure	-	1,246,061	1,246,061	-	-	1,246,061
Other post employment benefits obligation	1,193,167	317,171	1,510,338	-	-	1,510,338
Total long-term liabilities	5,679,904	20,220,511	25,900,415	-	-	25,900,415
TOTAL LIABILITIES	24,463,046	25,528,840	49,989,886	821	151,137	50,141,844
NET ASSETS:						
Investment in capital assets, net of related debt	39,872,955	42,240,270	82,113,225	178,274	902,104	83,193,603
Restricted for:						
Nonexpendable:						
Endowments	103,370	-	103,370	-	-	103,370
Perpetual care	664,929	-	664,929	-	-	664,929
Expendable:						
Endowments	29,564	-	29,564	-	-	29,564
Perpetual care	1,367	-	1,367	-	-	1,367
Debt service	275,896	95,000	370,896	-	-	370,896
Unrestricted	14,676,791	6,339,646	21,016,437	105,709	115,876	21,238,022
TOTAL NET ASSETS	\$ 55,624,872	\$ 48,674,916	\$ 104,299,788	\$ 283,983	\$ 1,017,980	\$ 105,601,751

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,503,964	\$ 1,720,540	\$ 58,289	\$ -
Public safety	7,956,987	847,802	517,569	293,731
Public services	8,286,276	3,292,139	2,377,983	1,093,320
Culture and recreation	3,086,120	905,290	34,160	562,563
Community development	2,384,307	161,522	100,000	201,060
Interest on long-term debt	509,372	-	-	-
Total governmental activities	<u>24,727,026</u>	<u>6,927,293</u>	<u>3,088,001</u>	<u>2,150,674</u>
Business-type activities:				
Solid waste	2,123,706	2,751,258	10,854	-
Sewer utility	5,997,046	5,992,743	-	781,649
Events center	2,040,600	867,453	-	-
Other business-type activities	1,465,897	153,680	537,803	-
Total business-type activities	<u>11,627,249</u>	<u>9,765,134</u>	<u>548,657</u>	<u>781,649</u>
Total primary government	\$ <u>36,354,275</u>	\$ <u>16,692,427</u>	\$ <u>3,636,658</u>	\$ <u>2,932,323</u>
Component units:				
Hazardous materials	\$ 147,332	\$ -	\$ 137,041	\$ -
10-15 transit	2,080,543	828,204	871,381	-
Total component units	\$ <u>2,227,875</u>	\$ <u>828,204</u>	\$ <u>1,008,422</u>	\$ <u>-</u>
General revenues:				
Taxes:				
Property taxes				
Local option taxes				
Other taxes				
Unrestricted investment income				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - Beginning of year, as restated				
Net assets - End of year				

See Accompanying Notes to Financial Statements

Governmental Activities	Primary Government		Component Units		Total Reporting Unit
	Business-type Activities	Total	Hazardous Materials	10-15 Transit	
\$ (725,135)	\$ -	\$ (725,135)	\$ -	\$ -	\$ (725,135)
(6,297,885)	-	(6,297,885)	-	-	(6,297,885)
(1,522,834)	-	(1,522,834)	-	-	(1,522,834)
(1,584,107)	-	(1,584,107)	-	-	(1,584,107)
(1,921,725)	-	(1,921,725)	-	-	(1,921,725)
(509,372)	-	(509,372)	-	-	(509,372)
<u>(12,561,058)</u>	<u>-</u>	<u>(12,561,058)</u>	<u>-</u>	<u>-</u>	<u>(12,561,058)</u>
-	638,406	638,406	-	-	638,406
-	777,346	777,346	-	-	777,346
-	(1,173,147)	(1,173,147)	-	-	(1,173,147)
-	(774,414)	(774,414)	-	-	(774,414)
-	(531,809)	(531,809)	-	-	(531,809)
<u>(12,561,058)</u>	<u>(531,809)</u>	<u>(13,092,867)</u>	<u>-</u>	<u>-</u>	<u>(13,092,867)</u>
-	-	-	(10,291)	-	(10,291)
-	-	-	-	(380,958)	(380,958)
-	-	-	(10,291)	(380,958)	(391,249)
12,449,563	380,141	12,829,704	-	-	12,829,704
3,060,933	-	3,060,933	-	-	3,060,933
606,863	-	606,863	-	-	606,863
95,075	60,869	155,944	777	394	157,115
44,627	-	44,627	40	24,438	69,105
<u>(2,179,877)</u>	<u>2,179,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,077,184</u>	<u>2,620,887</u>	<u>16,698,071</u>	<u>817</u>	<u>24,832</u>	<u>16,723,720</u>
1,516,126	2,089,078	3,605,204	(9,474)	(356,126)	3,239,604
<u>54,108,746</u>	<u>46,585,838</u>	<u>100,694,584</u>	<u>293,457</u>	<u>1,374,106</u>	<u>102,362,147</u>
\$ <u>55,624,872</u>	\$ <u>48,674,916</u>	\$ <u>104,299,788</u>	\$ <u>283,983</u>	\$ <u>1,017,980</u>	\$ <u>105,601,751</u>

CITY OF OTTUMWA, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

			Special Revenue	
	<u>General</u>	<u>State Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,036,900	\$ 1,701,431	\$ 2,328,872	\$ 573,311
Receivables:				
Property taxes	4,827,095	-	-	4,497,186
Accounts	102,617	10,664	-	-
Due from other governments	324,269	438,897	492,075	-
Due from other funds	47,212	-	-	-
Inventory	3,090	37,619	-	-
Prepaid insurance	-	-	-	-
Deposit	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>8,341,183</u>	\$ <u>2,188,611</u>	\$ <u>2,820,947</u>	\$ <u>5,070,497</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 386,011	\$ 109,653	\$ -	\$ -
Wages and benefits payable	287,200	43,300	-	-
Unearned property tax revenue	4,699,750	-	-	4,389,684
Deferred revenue	46,542	-	-	-
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>5,419,503</u>	<u>152,953</u>	<u>-</u>	<u>4,389,684</u>
<u>FUND BALANCES:</u>				
Nonspendable	3,090	37,619	-	-
Restricted	-	1,998,039	2,820,947	680,813
Unassigned	<u>2,918,590</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>2,921,680</u>	<u>2,035,658</u>	<u>2,820,947</u>	<u>680,813</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>8,341,183</u>	\$ <u>2,188,611</u>	\$ <u>2,820,947</u>	\$ <u>5,070,497</u>

<u>Capital Projects Street Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 964,734	\$ 227,905	\$ 5,865,226	\$ 14,698,379
-	2,114,977	1,606,092	13,045,350
-	-	243,777	357,058
184,203	-	220,045	1,659,489
-	-	47,372	94,584
-	-	30,598	71,307
-	-	244,457	244,457
-	-	25,000	25,000
<u>\$ 1,148,937</u>	<u>\$ 2,342,882</u>	<u>\$ 8,282,567</u>	<u>\$ 30,195,624</u>
\$ 522,836	\$ -	\$ 388,825	\$ 1,407,325
-	-	31,300	361,800
-	2,066,986	1,577,359	12,733,779
-	-	168,524	215,066
-	-	94,584	94,584
<u>522,836</u>	<u>2,066,986</u>	<u>2,260,592</u>	<u>14,812,554</u>
-	-	1,043,354	1,084,063
626,101	275,896	5,012,402	11,414,198
-	-	(33,781)	2,884,809
<u>626,101</u>	<u>275,896</u>	<u>6,021,975</u>	<u>15,383,070</u>
<u>\$ 1,148,937</u>	<u>\$ 2,342,882</u>	<u>\$ 8,282,567</u>	<u>\$ 30,195,624</u>

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total governmental fund balances \$ 15,383,070

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$103,169,405 and the accumulated depreciation is \$56,298,950. 46,870,455

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The assets and liabilities of the Internal Service funds are included in the statement of net assets. 2,557,696

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (16,222)

Amounts due from and due to component units and due from proprietary funds as a result of internal service fund allocations related to the employee insurance fund. (295,478)

Long-term liabilities, including bonds/notes payable, compensated absences payable and other post employment benefits obligation, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (8,874,649)

Net assets of governmental activities \$ 55,624,872

CITY OF OTTUMWA, IOWA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

		<u>Special Revenue</u>		
	<u>General</u>	<u>State Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>
<u>REVENUES:</u>				
Property tax	\$ 4,475,042	\$ -	\$ -	\$ 4,110,615
Other city tax	606,863	-	3,060,933	-
Licenses and permits	360,051	-	-	-
Intergovernmental	864,985	2,361,940	100,000	-
Use of money and property	148,565	-	-	2,977
Charges for service	3,293,240	634,429	-	-
Other fines	380,579	-	-	-
Miscellaneous	31,671	30,867	-	-
Total revenues	<u>10,160,996</u>	<u>3,027,236</u>	<u>3,160,933</u>	<u>4,113,592</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	7,034,357	-	-	-
Public works	2,023,396	3,517,472	-	-
Health and social services	491,355	-	-	-
Culture and recreation	1,185,847	-	-	-
Community and economic development	343,071	-	-	-
General government	1,118,033	-	-	-
Bond issue costs	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>12,195,859</u>	<u>3,517,472</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,034,863)</u>	<u>(490,236)</u>	<u>3,160,933</u>	<u>4,113,592</u>
Other financing sources (uses):				
Transfers in	2,902,001	1,082,801	-	-
Transfers out	(888,344)	(263,000)	(2,388,310)	(4,050,693)
General obligation bonds issued	-	-	-	-
Total other financing sources (uses)	<u>2,013,657</u>	<u>819,801</u>	<u>(2,388,310)</u>	<u>(4,050,693)</u>
Net change in fund balances	(21,206)	329,565	772,623	62,899
Fund balances - Beginning of year, as restated	<u>2,942,886</u>	<u>1,706,093</u>	<u>2,048,324</u>	<u>617,914</u>
Fund balances - End of year	\$ <u>2,921,680</u>	\$ <u>2,035,658</u>	\$ <u>2,820,947</u>	\$ <u>680,813</u>

See Accompanying Notes to Financial Statements

<u>Capital Projects</u> <u>Street Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,895,678	\$ 1,968,228	\$ 12,449,563
-	-	-	3,667,796
-	-	-	360,051
598,138	-	1,313,612	5,238,675
15,883	-	475,702	643,127
-	-	486,137	4,413,806
-	-	-	380,579
66,481	-	1,085,816	1,214,835
<u>680,502</u>	<u>1,895,678</u>	<u>5,329,495</u>	<u>28,368,432</u>
-	-	397,922	7,432,279
-	-	1,369,638	6,910,506
-	-	99,105	590,460
-	-	1,584,283	2,769,930
-	-	1,466,460	1,809,531
880	-	1,266,725	2,385,638
-	-	37,320	37,320
3,455,316	-	1,508,514	4,963,830
-	3,065,443	-	3,065,443
<u>3,456,196</u>	<u>3,065,443</u>	<u>7,729,967</u>	<u>29,964,937</u>
<u>(2,775,694)</u>	<u>(1,169,765)</u>	<u>(2,400,472)</u>	<u>(1,596,505)</u>
1,022,914	5,952,477	1,069,628	12,029,821
(106,000)	(4,822,500)	(1,967,290)	(14,486,137)
-	-	2,943,571	2,943,571
<u>916,914</u>	<u>1,129,977</u>	<u>2,045,909</u>	<u>487,255</u>
(1,858,780)	(39,788)	(354,563)	(1,109,250)
<u>2,484,881</u>	<u>315,684</u>	<u>6,376,538</u>	<u>16,492,320</u>
\$ <u>626,101</u>	\$ <u>275,896</u>	\$ <u>6,021,975</u>	\$ <u>15,383,070</u>

CITY OF OTTUMWA, IOWA

Exhibit 6

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE, 30, 2012

Net change in fund balances - Total governmental funds \$ (1,109,250)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	4,948,365
Depreciation expense	(3,670,143)

Expenses in the statement of revenues, expenditures and changes in fund balances shown as prepaid expenses or construction in progress in the statement of activities.	1,589,645
--	-----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(2,930,000)
Repaid	2,542,500

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(26,058)
Other postemployment benefits	(179,505)
Interest on long-term debt	19,536

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and component units.

331,036

Change in net assets of governmental activities \$ 1,516,126

CITY OF OTTUMWA, IOWA

Exhibit 7

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities					Governmental Activities
	Solid Waste	Sewer Utility	Events Center	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,568,502	\$ 4,517,240	\$ 286,817	\$ 138,959	\$ 7,511,518	\$ 3,116,423
Receivables:						
Accounts	291,944	10,030	-	9,192	311,166	-
Property taxes	-	-	84,018	451,815	535,833	-
Due from other governments	-	506,757	-	147,974	654,731	-
Prepaid expenses	19,339	52,927	142,164	29,164	243,594	-
Total current assets	2,879,785	5,086,954	512,999	777,104	9,256,842	3,116,423
Noncurrent assets:						
Due from other governments	-	1,000,318	-	-	1,000,318	-
Capital assets:						
Land	87,500	42,228	1,644,648	80,000	1,854,376	-
Buildings	1,195,103	23,887,701	20,655,017	1,437,813	47,175,634	-
Improvements other than buildings	4,272,037	4,067,340	149,964	893,582	9,382,903	-
Machinery and equipment	2,836,537	2,851,154	893,204	3,494,665	10,075,560	-
Infrastructure	-	25,819,053	302,000	-	26,121,053	-
Construction in progress	12,810	328,860	-	-	341,670	-
Less accumulated depreciation	(5,381,386)	(19,133,144)	(3,326,072)	(3,551,037)	(31,391,639)	-
Total capital assets	3,022,601	37,863,192	20,318,761	2,355,003	63,559,557	-
Other assets:						
Intangible assets	-	146,260	400,000	-	546,260	-
Less accumulated amortization	-	(31,139)	(400,000)	-	(431,139)	-
Total other assets	-	115,121	-	-	115,121	-
Total noncurrent assets	3,022,601	37,978,313	20,318,761	2,355,003	63,674,678	-
TOTAL ASSETS	\$ 5,902,386	\$ 44,065,585	\$ 20,831,760	\$ 3,132,107	\$ 73,931,838	\$ 3,116,423
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 94,749	\$ 339,961	\$ 4,088	\$ 28,311	\$ 467,109	\$ 558,727
Wages and benefits payable	19,400	43,200	-	21,600	84,200	-
Accrued interest payable	1,073	38,105	-	-	39,178	-
Compensated absences payable	38,854	59,160	-	12,745	110,759	-
Unearned property tax revenue	-	-	84,018	441,873	525,891	-
Current portion of bonds payable	-	-	1,170,000	146,500	1,316,500	-
Current portion of notes payable	225,000	2,448,233	-	-	2,671,233	-
Total current liabilities	379,076	2,926,659	1,258,106	651,029	5,214,870	558,727
Long-term liabilities:						
Accrued landfill costs:						
Closure	1,210,604	-	-	-	1,210,604	-
Post closure	1,246,061	-	-	-	1,246,061	-
Due to other governments	-	-	-	91,459	91,459	-
Other post employment benefits obligation	66,606	196,900	-	53,665	317,171	-
Bonds payable:						
Long-term	-	-	1,190,000	31,000	1,221,000	-
Notes payable:						
Long-term	225,000	16,000,675	-	-	16,225,675	-
Total long-term liabilities	2,748,271	16,197,575	1,190,000	176,124	20,311,970	-
TOTAL LIABILITIES	3,127,347	19,124,234	2,448,106	827,153	25,526,840	558,727
NET ASSETS:						
Investment in capital assets, net of related debt	2,572,601	19,531,405	17,958,761	2,177,503	42,240,270	-
Restricted for:						
Health insurance	-	-	-	-	-	1,667,484
Debt service	-	95,000	-	-	95,000	-
Unrestricted	202,438	5,314,946	424,893	127,451	6,069,728	890,212
TOTAL NET ASSETS	2,775,039	24,941,351	18,383,654	2,304,954	48,404,998	2,557,696
TOTAL LIABILITIES AND NET ASSETS	\$ 5,902,386	\$ 44,065,585	\$ 20,831,760	\$ 3,132,107	\$ 73,931,838	\$ 3,116,423

CITY OF OTTUMWA, IOWA

Exhibit 8

RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Ending fund balance - Proprietary funds \$ 48,404,998

Amounts reported for business-type activities in the statement of net assets are different because:

Allocation of internal service funds income decreases due to other funds 269,918

Net assets of business-type activities \$ 48,674,916

CITY OF OTTUMWA, IOWA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities					Governmental Activities
	Solid Waste	Sewer Utility	Events Center	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for service	\$ 2,738,007	\$ 5,888,516	\$ 808,489	\$ 139,655	\$ 9,570,667	\$ 2,790,931
Miscellaneous	12,113	95,642	60,964	11,895	180,614	-
Total operating revenues	<u>2,748,120</u>	<u>5,984,158</u>	<u>867,453</u>	<u>151,550</u>	<u>9,751,281</u>	<u>2,790,931</u>
Operating expenses:						
Operations	1,673,292	3,250,448	1,469,271	1,014,212	7,407,223	2,735,507
Depreciation/amortization	450,414	2,381,184	571,329	451,686	3,854,612	-
Total operating expenses	<u>2,123,706</u>	<u>5,631,632</u>	<u>2,040,600</u>	<u>1,465,897</u>	<u>11,261,835</u>	<u>2,735,507</u>
Operating income (loss)	624,414	352,526	(1,173,147)	(1,314,347)	(1,510,554)	55,424
Nonoperating revenue (expense):						
Interest income	24,071	34,698	1,565	535	60,869	14,618
Interest on long-term debt	-	(365,414)	-	-	(365,414)	-
Property taxes	-	-	-	380,141	380,141	-
Intergovernmental	10,854	-	-	537,803	548,657	-
Total nonoperating revenue (expense)	<u>34,925</u>	<u>(330,716)</u>	<u>1,565</u>	<u>918,479</u>	<u>624,253</u>	<u>14,618</u>
Income (loss) before capital contributions and grants and transfers	659,339	21,810	(1,171,582)	(395,868)	(888,301)	70,042
Capital contributions and grants	-	781,649	-	-	781,649	-
Transfers in	225,000	8,782,990	1,723,695	122,500	10,854,185	444,800
Transfers out	<u>(241,988)</u>	<u>(8,432,320)</u>	<u>-</u>	<u>-</u>	<u>(8,674,308)</u>	<u>(168,361)</u>
Change in net assets	642,351	1,154,129	552,113	(273,368)	2,075,225	346,481
Net assets - Beginning of year	<u>2,132,688</u>	<u>23,787,222</u>	<u>17,831,541</u>	<u>2,578,322</u>	<u>46,329,773</u>	<u>2,211,215</u>
Net assets - End of year	\$ <u>2,775,039</u>	\$ <u>24,941,351</u>	\$ <u>18,383,654</u>	\$ <u>2,304,954</u>	\$ <u>48,404,998</u>	\$ <u>2,557,696</u>

CITY OF OTTUMWA, IOWA

Exhibit 10

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE, 30, 2012

Change in net assets - Total business-type funds \$ 2,075,225

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The change in net assets of the Internal Service Funds is reported with business-type activities net of the amount allocated to governmental activities and component units.

13,853

Change in net assets of business-type activities \$ 2,089,078

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Solid Waste</u>	<u>Sewer Utility</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from operations	\$ 2,838,788	\$ 6,900,766
Cash paid to employees	(650,138)	(1,408,490)
Cash paid to suppliers	(894,758)	(1,740,551)
Cash used in operations	(1,544,896)	(3,149,041)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,293,892</u>	<u>3,751,725</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Property taxes	-	-
Intergovernmental	12,604	-
Transfers from other funds	225,000	8,782,990
Transfers to other funds	(241,988)	(8,432,320)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(4,384)</u>	<u>350,670</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Issuance of long-term debt	-	8,841,917
Payment of long-term debt:		
General obligation bonds	(225,000)	-
Notes payable	-	(9,018,000)
Payment of interest on long-term debt	(535)	(371,127)
Additions to property and equipment	(263,263)	(2,808,417)
Capital contributions and grants	-	281,440
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(488,798)</u>	<u>(3,074,187)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest income received	<u>24,071</u>	<u>34,698</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	824,781	1,062,906
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>1,743,721</u>	<u>3,454,334</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>2,568,502</u>	\$ <u>4,517,240</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ 624,414	\$ 352,526
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	450,414	2,381,184
Changes in assets and liabilities:		
Decrease (increase) in receivables	90,668	916,608
Decrease (increase) in prepaid expenses	24	(1,387)
Increase (decrease) in accounts payable	(3,105)	102,687
Increase in wages and benefits payable	2,100	3,100
Increase (decrease) in compensated absences payable	(952)	(4,950)
Increase (decrease) in other post employment benefits	665	1,957
Increase in accrued landfill costs	129,664	-
Decrease in due to other governments	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>1,293,892</u>	\$ <u>3,751,725</u>

See Accompanying Notes to Financial Statements

<u>Events Center</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 867,453	\$ 144,967	\$ 10,751,974	\$ 2,817,017
-	(659,184)	(2,717,812)	-
(1,436,935)	(450,274)	(4,522,518)	(2,668,358)
(1,436,935)	(1,109,458)	(7,240,330)	(2,668,358)
(569,482)	(964,491)	3,511,644	148,659
-	379,892	379,892	-
-	656,990	669,594	-
1,723,695	122,500	10,854,185	444,800
-	-	(8,674,308)	(168,361)
1,723,695	1,159,382	3,229,363	276,439
-	-	8,841,917	-
(1,145,000)	(122,500)	(1,492,500)	-
-	-	(9,018,000)	-
-	-	(371,662)	-
(20,810)	-	(3,092,490)	-
-	-	281,440	-
(1,165,810)	(122,500)	(4,851,295)	-
1,565	535	60,869	14,618
(10,032)	72,926	1,950,581	439,716
296,849	66,033	5,560,937	2,676,707
\$ 286,817	\$ 138,959	\$ 7,511,518	\$ 3,116,423
\$ (1,173,147)	\$ (1,314,347)	\$ (1,510,554)	\$ 55,424
571,329	451,685	3,854,612	-
-	(6,583)	1,000,693	-
28,248	25,101	51,986	-
4,088	(40,923)	62,747	93,235
-	1,200	6,400	-
-	2,317	(3,585)	-
-	(5,554)	(2,932)	-
-	-	129,664	-
-	(77,387)	(77,387)	-
\$ (569,482)	\$ (964,491)	\$ 3,511,644	\$ 148,659

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ottumwa, Iowa is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to its citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates an airport, a water recreation park, a mass transportation system, a wide range of parks and recreational facilities and sewer and sanitation utilities.

The financial statements of the City of Ottumwa, Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City of Ottumwa, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Ottumwa, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City handles the cash management and financial reporting of the two component units. In addition, city employees perform the duties at the direction of the respective boards.

Discretely Presented Component Units: The component units' columns in the government-wide financial statements include the financial data of the City's component units. They are each reported in separate columns to emphasize that they are legally separate from the City. Separate financial statements of these two component units may be obtained from the City's finance department.

Hazardous Materials: The Hazardous Materials component unit includes all operations of the Hazardous Materials response team operated by the Ottumwa Fire Department, under the authority of the Southeast Iowa Response Group Board consisting of eleven county supervisors from Wapello County and ten nearby counties. The elected City officials are financially accountable for the organization. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions for the organization.

10-15 Transit: The 10-15 Transit component unit operates the bus service to various agencies and individuals provided in the ten county Area 15 under the authority of the 10-15 Transit Board consisting of ten county supervisors from Wapello County and nine surrounding counties. The elected City officials are financially accountable for the organization. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions for the organization.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and capital improvement costs not paid from other funds.

Special Revenue:

State Road Use Tax – to account for State Road Use Tax allocated to the City to be used to maintain and improve the City streets.

Local Option Sales Tax – to account for the 1% sales tax.

Employee Benefits – to account for property taxes assessed for employee benefits.

Capital Projects:

Street Projects – to account for bond proceeds and construction costs of street projects.

Debt Service – to account for the payment of interest and principal on the City's general long-term debt.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The City reports the following major proprietary funds:

Enterprise:

Solid Waste – to account for the operation and maintenance of the recycling center and Ottumwa-Wapello County Landfill Facility.

Sewer Utility – to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Events Center – to account for the operation and maintenance of the Bridge View Events Center facility (a Vision Iowa project).

Measurement Focus and Basis of Accounting

The Government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

General Fund

The General Fund accounts for the financial resources of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, state shared revenues, licenses and permits and charges for services. Primary expenditures are for police and fire protection, general administration and parks.

Special Revenue Funds

Special Revenue Funds account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. Funds included in this category are:

State Road Use Tax - to account for State Road Use Tax allocated to the City to be used to maintain and improve the City streets.

Tax Increment Financing - tax increment financing for the Westgate Economic Development Urban Renewal Project Area and Airport Urban Renewal Project Area.

Local Option Sales Tax - to account for the 1% sales tax.

Employee Benefits - to account for property taxes assessed for employee benefits.

Airport - to account for all operations of the regional airport under guidance of the Airport Advisory Board.

Emergency - to account for the special 27¢ tax levy.

Library - to account for all operations of the Public Library under guidance of the Library Board.

Cemetery - to account for operations of the Ottumwa, Calvary and Jewish Cemeteries under guidance of the Cemetery Board of Trustees.

Block Grants - to account for monies received to rehabilitate and maintain declining areas.

Risk Management - to account for the City's property and casualty insurance coverage, and Iowa Code Chapter 411 medical coverage for fire fighters and police officers.

Fire Bequest - to account for donations and grants received to purchase items for the Fire Department.

Retiree Health Insurance - to account for medical and life insurance costs of City retirees.

Library Bequest - to account for donations to the Library designated for purposes other than general operations.

Park Bequest - to account for donations, grants and expenses of the Trees Forever Committee.

Police Bequest - to account for donations and service fees to the Police Department designated for purposes other than general operations.

Historic Preservation - to account for grants and related items with or concerning the Historic Preservation Commission.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types (Continued)

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed by special assessments or by enterprise fund monies. Capital projects for enterprise fund activities are accounted for in the Capital Projects Funds when these projects are financed through the issuance of general obligation bonds, revenue bonds, intergovernmental revenues or major private donations.

Sidewalks - to account for bonds issued, assessments and construction costs for sidewalks assessed to property owners.

Airport Projects - to account for airport improvements.

Street Projects - to account for bond proceeds and construction costs of street projects.

Park Projects - to account for bond proceeds, donations and grants for construction of recreation trails and other park projects.

Other Bond Projects - to account for monies received for miscellaneous development projects.

Levee Repairs - to account for bond proceeds for levee repair projects.

Debt Service Fund

Debt Service Fund accounts for the payment of principal and interest on the City's general obligation debt.

Permanent Funds:

Cemetery Perpetual Care - to account for the collection of a portion of cemetery lot sales designated for perpetual care.

Cemetery Memorial - to account for the collection of contributions for floral decoration on lots, Fry bequests and Hall bequests.

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for operations which are intended to be self-supporting primarily through user charges. Included in this category are:

Solid Waste - to account for the operation and maintenance of the recycling center and Ottumwa-Wapello County Landfill facility.

Sewer Utility - to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Events Center - to account for the operation and maintenance of the Bridge View Events Center facility.

Transit - to account for the operation of the City Public Transit System.

Golf Course - to account for the operation and maintenance of the Cedar Creek Golf Course.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types (Continued)

Internal Service Funds

Internal Service Funds are used to account for the operation of the Payroll Clearing, Equipment Purchasing and Employee Insurance funds. Charges are made to other City departments to support these activities, including equipment replacement.

Budgets and Budgetary Accounting

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget.

Deposits and Investments

The City maintains a cash and investment pool to maximize investment opportunities. Income from investments purchased with pooled cash is allocated to individual funds based on the fund's average cash balance and legal requirements. Each fund's portion of total cash and investments is reported as such within this report.

The City's deposits, in banks, at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Cash and pooled investments are considered "cash and cash equivalents" for statement of cash flows purposes even though they may still be subject to credit risk, concentration risk, or custodial credit risk. Certificates of deposit and U.S. Treasury Bills with maturities in excess of 397 days are considered investments for statement of cash flows purposes. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value.

Receivables

The City has recorded several types of receivables on its balance sheet from sources around the State of Iowa, including the state and federal governments, through grant agreements. The risk of loss on receivables is the balance owed at the time of default. No allowance for bad debts is considered necessary.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing in Governmental and Proprietary Funds is accounted for using the accrual basis of accounting.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Receivable, Including Tax Increment Financing (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2012 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2011.

Customer Accounts and Unbilled Usage

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. It consists of parts and supplies in the Central Garage, merchandise and concessions at The Beach Ottumwa, and fuel at the Airport. Inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and other improvements	\$ 25,000
Intangibles	5,000
Machinery, equipment and vehicles	5,000
Infrastructure	25,000

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets of the City are depreciated/amortized using the straight line method over the following estimated useful lives:

Buildings	15 to 50 Years
Other improvements	8 to 50 Years
Intangibles	5 to 20 Years
Vehicles	5 to 15 Years
Other equipment	5 to 20 Years
Infrastructure	15 to 30 Years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

The City would typically use Restricted fund balances first but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the Governmental Fund Types.

Nonrecurring or nonroutine transfers of equity between funds are recorded as equity transfers and, accordingly, are reported as additions or deductions from balances of Governmental Fund Types.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year
Governmental Activities:				
By type:				
Capital assets not being depreciated:				
Land	\$ 3,532,781	\$ 10,000	\$ -	\$ 3,542,781
Construction in progress	3,020,582	5,529,635	(3,939,990)	4,610,227
Total capital assets not being depreciated	6,553,363	5,539,635	(3,939,990)	8,153,008
Capital assets being depreciated:				
Buildings	12,362,915	238,251	-	12,601,166
Improvements other than buildings	1,639,794	64,320	-	1,704,114
Machinery and equipment	9,867,940	774,902	(164,589)	10,478,253
Infrastructure	66,371,972	3,860,892	-	70,232,864
	90,242,621	4,938,365	(164,589)	95,016,397
Less accumulated depreciation:				
Buildings	(8,738,758)	(298,130)	-	(9,036,888)
Improvements other than buildings	(935,505)	(104,470)	-	(1,039,975)
Machinery and equipment	(7,619,058)	(679,033)	164,589	(8,133,502)
Infrastructure	(35,500,075)	(2,588,510)	-	(38,088,585)
	(52,793,396)	(3,670,143)	164,589	(56,298,950)
Total capital assets being depreciated, net	37,449,225	1,268,222	-	38,717,447
Governmental activities capital assets, net	\$ 44,002,588	\$ 6,807,857	\$ (3,939,990)	\$ 46,870,455
By function and activity:				
General government:				
City clerk	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	229,244	-	-	229,244
City hall	3,184,386	-	-	3,184,386
Public information	47,099	-	-	47,099
Total general government	3,471,102	-	-	3,471,102
Public safety:				
Police	1,199,854	366,621	-	1,566,475
Fire	3,124,910	66,204	-	3,191,114
Health and inspection	146,615	-	(24,464)	122,151
Animal control	26,287	-	-	26,287
Total public safety	4,497,666	432,825	(24,464)	4,906,027
Highways and streets:				
Traffic maintenance	489,136	90,072	-	579,208
Electric/traffic light maintenance	423,395	-	-	423,395
Engineering	110,048	47,500	-	157,548
Street maintenance (including culverts)	2,717,534	349,048	(110,163)	2,956,419
Snow/ice maintenance	169,672	-	-	169,672
Street cleaning	453,848	-	-	453,848
Street projects (including sidewalks)	39,526,081	2,825,769	-	42,351,850
Parking	1,303,092	-	-	1,303,092
Total highways and streets	45,192,806	3,312,389	(110,163)	48,395,032

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
<u>By function and activity: (Continued)</u>				
Culture and recreation:				
Library	1,926,711	41,412	-	1,968,123
Parks	2,301,173	84,167	(29,962)	2,355,378
Senior citizens center	131,316	-	-	131,316
The Beach	4,102,568	66,359	-	4,168,927
Trails	693,898	357,686	-	1,051,584
Total culture and recreation	<u>9,155,666</u>	<u>549,624</u>	<u>(29,962)</u>	<u>9,675,328</u>
 Cemetery	 <u>727,032</u>	 <u>-</u>	 <u>-</u>	 <u>727,032</u>
 Airport	 <u>16,401,873</u>	 <u>653,527</u>	 <u>-</u>	 <u>17,055,400</u>
 Construction in progress	 <u>3,020,582</u>	 <u>5,529,635</u>	 <u>(3,939,990)</u>	 <u>4,610,227</u>
 Levee	 <u>168,580</u>	 <u>-</u>	 <u>-</u>	 <u>168,580</u>
 TIF projects	 <u>11,905,594</u>	 <u>-</u>	 <u>-</u>	 <u>11,905,594</u>
 Downtown Step One	 <u>275,163</u>	 <u>-</u>	 <u>-</u>	 <u>275,163</u>
 Land - No designation	 <u>1,979,920</u>	 <u>-</u>	 <u>-</u>	 <u>1,979,920</u>
Total governmental activities	\$ <u>96,795,984</u>	\$ <u>10,478,000</u>	\$ <u>(4,104,579)</u>	\$ <u>103,169,405</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CAPITAL ASSETS (Continued)

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure	Construction in Progress	Total
By function and activity							
General government:							
City clerk	\$ -	\$ -	\$ -	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	-	-	-	229,244	-	-	229,244
City hall	-	2,976,963	-	-	207,423	-	3,184,386
Risk management	-	-	-	-	-	-	-
Public information	-	-	-	47,099	-	-	47,099
Total general government	-	2,976,963	-	286,716	207,423	-	3,471,102
Public safety:							
Police	-	-	-	1,566,475	-	-	1,566,475
Fire	-	983,243	65,291	2,031,778	110,802	-	3,191,114
Health and inspection	-	-	-	122,151	-	-	122,151
Animal control	-	-	-	26,287	-	-	26,287
Total public safety	-	983,243	65,291	3,746,691	110,802	-	4,906,027
Highways and streets:							
Traffic maintenance	-	134,900	-	274,378	169,930	-	579,208
Electric/traffic light maintenance	-	-	-	194,105	229,290	-	423,395
Engineering	-	-	-	157,548	-	-	157,548
Street maintenance	66,240	595,884	31,900	2,152,111	110,284	-	2,956,419
Snow/ice maintenance	-	63,679	-	105,993	-	-	169,672
Street cleaning	-	-	-	453,848	-	-	453,848
Street projects (including sidewalks)	-	-	-	-	42,351,850	-	42,351,850
Parking	653,718	39,754	-	10,895	598,725	-	1,303,092
Total highways and streets	719,958	834,217	31,900	3,348,878	43,460,079	-	48,395,032
Culture and recreation:							
Library	-	1,496,091	104,127	332,421	35,484	-	1,968,123
Parks	-	256,957	584,665	826,429	687,327	-	2,355,378
Senior citizens center	-	-	-	-	131,316	-	131,316
The Beach	283,421	2,458,704	375,645	1,051,157	-	-	4,168,927
Trails	-	-	-	-	1,051,584	-	1,051,584
Total culture and recreation	283,421	4,211,752	1,064,437	2,210,007	1,905,711	-	9,675,328
Cemetery	26,000	293,393	146,032	215,416	46,191	-	727,032
Airport	372,575	3,171,342	227,874	670,545	12,613,064	-	17,055,400
Construction in progress	-	-	-	-	-	4,610,227	4,610,227
Levee	-	-	168,580	-	-	-	168,580
TIF projects	16,000	-	-	-	11,889,594	-	11,905,594
Downtown Step One	144,907	130,256	-	-	-	-	275,163
Land - No designation	1,979,920	-	-	-	-	-	1,979,920
Total governmental activities	\$ 3,542,781	\$ 12,601,166	\$ 1,704,114	\$ 10,478,253	\$ 70,232,864	\$ 4,610,227	\$ 103,169,405

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CAPITAL ASSETS (Continued)

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year	
Business type activities:					
By type:					
Capital assets not being depreciated:					
Land	\$ 1,854,376	\$ -	\$ -	\$ 1,854,376	
Construction in progress	7,388,775	2,543,595	(9,590,700)	341,670	
Total capital assets not being depreciated	9,243,151	2,543,595	(9,590,700)	2,196,046	
Capital assets being depreciated/amortized:					
Buildings	47,168,634	7,000	-	47,175,634	
Improvements other than buildings	9,039,618	343,285	-	9,382,903	
Machinery and equipment	9,848,826	476,062	(249,328)	10,075,560	
Infrastructure	16,807,807	9,313,246	-	26,121,053	
Intangibles	761,922	-	(215,662)	546,260	
	83,626,807	10,139,593	(464,990)	93,301,410	
Less accumulated depreciation/amortization:					
Buildings	(15,341,404)	(1,353,049)	-	(16,694,453)	
Improvements other than buildings	(3,645,059)	(521,752)	-	(4,166,811)	
Machinery and equipment	(6,916,823)	(899,694)	249,328	(7,567,189)	
Infrastructure	(1,997,776)	(965,410)	-	(2,963,186)	
Intangibles	(532,094)	(114,707)	215,662	(431,139)	
	(28,433,156)	(3,854,612)	464,990	(31,822,778)	
Total capital assets being depreciated/amortized, net	55,193,651	6,284,981	-	61,478,632	
Business type activities capital assets, net	\$ 64,436,802	\$ 8,828,576	\$ (9,590,700)	\$ 63,674,678	
By function and activity:					
Solid waste	\$ 8,311,247	\$ 263,263	\$ (183,333)	\$ 8,391,177	
Sewer utility	47,239,873	9,855,520	(281,657)	56,813,736	
Events center	24,024,023	20,810	-	24,044,833	
Transit	4,362,121	-	-	4,362,121	
Golf course	1,543,919	-	-	1,543,919	
Construction in progress	7,388,775	2,543,595	(9,590,700)	341,670	
Total business type	\$ 92,869,958	\$ 12,683,188	\$ (10,055,690)	\$ 95,497,456	
	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure
By function and activity					
Solid waste	\$ 87,500	\$ 1,195,103	\$ 4,272,037	\$ 2,836,537	\$ -
Sewer utility	42,228	23,887,701	4,067,340	2,851,154	25,819,053
Events center	1,844,648	20,655,017	149,964	893,204	302,000
Transit	-	1,282,958	-	3,089,163	-
Golf course	80,000	174,855	893,562	396,502	-
Construction in progress	-	-	-	-	-
Total business type assets	\$ 1,854,376	\$ 47,175,634	\$ 9,382,903	\$ 10,075,580	\$ 26,121,053

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CAPITAL ASSETS (Continued)

A summary of property, plant and equipment at June 30, 2012, was as follows:

	Business Type	Governmental Activities
Capital assets not being depreciated:		
Land	\$ 1,854,376	\$ 3,542,781
Construction in progress	341,670	4,610,227
Total capital assets not being depreciated	<u>2,196,046</u>	<u>8,153,008</u>
Capital assets being depreciated/amortized:		
Buildings	47,175,634	12,601,166
Improvements other than buildings	9,382,903	1,704,114
Machinery and equipment	10,075,560	10,478,253
Infrastructure	26,121,053	70,232,864
Intangibles	546,260	-
	<u>93,301,410</u>	<u>95,016,397</u>
Less accumulated depreciation/amortization	(31,822,778)	(56,298,950)
Total capital assets being depreciated/amortized, net	<u>61,478,632</u>	<u>38,717,447</u>
Total capital assets, net	<u>\$ 63,674,678</u>	<u>\$ 46,870,455</u>

Depreciation/amortization expense was charged to functions of the primary government as follows:

Government activities:	
General government	\$ 91,352
Public safety	269,172
Public services	2,331,849
Culture and recreation	411,394
Community development	566,376
Total depreciation expense - Governmental activities	<u>\$ 3,670,143</u>
Business type activities	
Solid waste	\$ 450,414
Sewer utility	2,381,184
Events center	571,329
Transit	412,730
Golf course	38,955
Total depreciation/amortization expense - Business type activities	<u>\$ 3,854,612</u>

Discretely presented component units:

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year
By type:				
Capital assets not being depreciated:	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Buildings	239,400	-	-	239,400
Machinery and equipment	3,751,002	-	(294,132)	3,456,870
	<u>3,990,402</u>	<u>-</u>	<u>(294,132)</u>	<u>3,696,270</u>
Less accumulated depreciation:				
Buildings	(63,383)	(12,558)	-	(75,941)
Machinery and equipment	(2,340,080)	(396,228)	196,357	(2,539,951)
	<u>(2,403,463)</u>	<u>(408,786)</u>	<u>196,357</u>	<u>(2,615,892)</u>
Total assets being depreciated, net	<u>1,586,939</u>	<u>(408,786)</u>	<u>(97,775)</u>	<u>1,080,378</u>
Total discretely presented component units capital assets, net	<u>\$ 1,586,939</u>	<u>\$ (408,786)</u>	<u>\$ (97,775)</u>	<u>\$ 1,080,378</u>
By function and activity:				
Hazard materials	\$ 404,885	\$ -	\$ -	\$ 404,885
10-15 transit	3,585,517	-	(294,132)	3,291,385
Total discretely presented component units	<u>\$ 3,990,402</u>	<u>\$ -</u>	<u>\$ (294,132)</u>	<u>\$ 3,696,270</u>
Depreciation expense				<u>\$ 408,786</u>

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3: LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 6,610,000	\$ 2,930,000	\$ 2,542,500	\$ 6,997,500	\$ 2,588,500
Compensated absences	657,924	611,949	585,891	683,982	606,245
Net OPEB liability	<u>1,013,662</u>	<u>179,505</u>	<u>-</u>	<u>1,193,167</u>	<u>-</u>
Total	\$ <u>8,281,586</u>	\$ <u>3,721,454</u>	\$ <u>3,128,391</u>	\$ <u>8,874,649</u>	\$ <u>3,194,745</u>
Business type activities:					
General obligation bonds/notes	\$ 11,042,675	\$ 3,155,000	\$ 5,257,500	\$ 8,940,175	\$ 2,221,500
Revenue notes	12,060,316	5,686,917	5,253,000	12,494,233	1,766,233
Compensated absences	114,344	110,759	114,344	110,759	110,759
Net OPEB liability	<u>320,103</u>	<u>-</u>	<u>2,932</u>	<u>317,171</u>	<u>-</u>
Total	\$ <u>23,537,438</u>	\$ <u>8,952,676</u>	\$ <u>10,627,776</u>	\$ <u>21,862,338</u>	\$ <u>4,098,492</u>

A summary of the annual general obligation and revenue bond/note principal and interest requirements to maturity by year is as follows:

<u>June 30,</u>	<u>General Obligations and Revenue Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total*</u>
2013	\$ 6,576,233	\$ 668,737	\$ 7,244,970
2014	4,555,000	556,086	5,111,086
2015	2,850,000	470,516	3,320,516
2016	2,161,675	411,566	2,573,241
2017	633,000	354,223	987,223
2018-2022	3,044,000	1,542,066	4,586,066
2023-2027	2,853,000	1,150,602	4,003,602
2028-2032	2,285,000	743,560	3,028,560
2033-2037	1,998,000	406,470	2,404,470
2038-2041	<u>1,476,000</u>	<u>102,900</u>	<u>1,578,900</u>
Total	\$ <u>28,431,908</u>	\$ <u>6,406,726</u>	\$ <u>34,838,634</u>

Current Refundings:

During the year ended June 30, 2012, the City issued \$3,155,000 of general obligation bonds for a current refunding of \$3,130,000 of general obligation bonds previously issued for Phase 1 of the Clean Water Project. This transaction resulted in an economic gain of \$268,521 and a reduction of \$334,555 in future debt service payments.

During the year ended June 30, 2012, the City also issued \$4,273,000 of revenue notes for a current refunding of \$4,164,000 of revenue notes previously issued for Phase 1, Phase 2 and Phase 3 of the sewer separation project. This transaction resulted in an economic gain of \$83,059 and a reduction of \$86,759 in future debt service payments.

* Part of these payments will come from sources other than the debt service tax levy.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3: LONG-TERM LIABILITIES (Continued)

The following is a summary of bond/note transactions for the year ended June 30, 2012, and details of bonds/notes payable at June 30, 2012:

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
<u>General Obligation Bonds/Notes:</u>			
General Obligation Bonds - Series 2006	October 30, 2006	4.00	2,600,000
General Obligation Notes - Series 2009	February 10, 2009	2.35-3.00	3,675,000
General Obligation Notes - Series 2009A	March 9, 2009	1.70-2.35	1,430,000
General Obligation Bonds - Series 2011	March 3, 2011	2.00	3,600,000
General Obligation Bonds - Series 2011A	September 20, 2011	2.25-4.40	2,050,000
General Obligation Notes - Series 2012	April 2, 2012	2.00-2.30	880,000
<u>Proprietary Fund Debt:</u>			
General Obligation Notes - Clean Water Project Phase 1	October 1, 2006	3.00	4,500,000
General Obligation Notes - Series 2009	February 10, 2009	2.35-3.00	1,125,000
General Obligation Notes - Clean Water Project Phase 2	June 4, 2008	3.00	5,800,000
General Obligation Refunding Bonds - Series 2010	August 18, 2010	2.00	4,640,000
General Obligation Bonds - Series 2011	March 3, 2011	2.00	3,600,000
General Obligation Notes - Series 2012	April 2, 2012	2.00-2.30	3,155,000

Grand Total

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Paid During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>	<u>Accrued Interest</u>
\$ 1,560,000	\$ -	\$ 290,000	\$ 1,270,000	\$ 62,400	\$ 4,233
1,475,000	-	500,000	975,000	33,150	1,847
275,000	-	275,000	-	6,463	-
3,300,000	-	1,477,500	1,822,500	82,099	3,037
-	2,050,000	-	2,050,000	41,526	5,612
-	880,000	-	880,000	3,085	1,493
<u>6,610,000</u>	<u>2,930,000</u>	<u>2,542,500</u>	<u>6,997,500</u>	<u>228,723</u>	<u>16,222</u>
3,130,000	-	3,130,000	-	78,511	-
675,000	-	225,000	450,000	15,300	853
3,432,675	-	435,000	2,997,675	106,630	7,741
3,505,000	-	1,145,000	2,360,000	70,100	3,933
300,000	-	122,500	177,500	8,001	296
-	3,155,000	200,000	2,955,000	10,362	5,012
<u>11,042,675</u>	<u>3,155,000</u>	<u>5,257,500</u>	<u>8,940,175</u>	<u>288,904</u>	<u>17,835</u>
 \$ <u>17,652,675</u>	 \$ <u>6,085,000</u>	 \$ <u>7,800,000</u>	 \$ <u>15,937,675</u>	 \$ <u>517,627</u>	 \$ <u>34,057</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4: PENSION AND RETIREMENT BENEFITS

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by contacting Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, IA 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 24.76% of earnable compensation. Contribution rates are established and may be amended by state statute. Contributions are paid out of the General Fund. The City's contributions to MFPRSI for the years ended June 30, 2012, 2011 and 2010, which met the required contribution for each year, respectively, are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2012	\$ 896,878	100%
2011	\$ 701,154	100%
2010	\$ 583,713	100%

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. Contributions are paid primarily from the following funds: General Fund, Solid Waste, Sewer Utility, Transit, Airport, Library and Cemetery. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010, which were equal to the required contribution for each year, respectively, are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2012	\$ 527,538	100%
2011	\$ 469,853	100%
2010	\$ 431,985	100%

NOTE 5: OTHER EMPLOYEE BENEFITS

All full-time City employees accumulate vacation hours for subsequent use or payment upon termination, death or retirement. The maximum vacation accumulation is limited to one and one-half (two and one-half for fire fighters) the amount earned in one year. Any unused vacation accumulation is payable upon termination, death or retirement.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5: OTHER EMPLOYEE BENEFITS (Continued)

All full-time City employees accumulate sick leave hours for subsequent use. No accumulation of sick leave is payable upon termination, death or retirement, except for those employees who continue under the retirement plan in effect prior to July 1, 1990. Upon retirement, employees under this plan, receive one-half of unused sick leave, up to a maximum of \$5,000.

<u>Business Type Funds</u>	<u>Vacation</u>	<u>Sick Leave</u>	<u>Total</u>	<u>Due Within One Year</u>
<u>Enterprise Funds:</u>				
Solid waste	\$ 38,854	\$ -	\$ 38,854	\$ 38,854
Sewer utility	59,160	-	59,160	59,160
Transit	12,745	-	12,745	12,745
Total Enterprise Funds	110,759	-	110,759	110,759
<u>Governmental Funds</u>				
<u>Special Revenue Funds:</u>				
Airport	10,861	-	10,861	10,861
Library	22,908	-	22,908	22,908
Cemetery	8,432	-	8,432	8,432
Block grants	3,001	-	3,001	3,001
State road use tax	66,258	-	66,258	66,258
Total Special Revenue Funds	111,460	-	111,460	111,460
<u>General</u>	<u>567,522</u>	<u>5,000</u>	<u>572,522</u>	<u>494,785</u>
Total Governmental Funds	678,982	5,000	683,982	606,245
Total – All funds	\$ 789,741	\$ 5,000	\$ 794,741	\$ 717,004

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health care plan which provides health, dental and life benefits to retirees and their spouses participating until death with surviving spouse benefits. There are 43 active and 143 retired members in the plan. The plan does not issue a stand alone financial report nor is it included in the report of another entity.

All employees hired before February 22, 1993 with twenty years of service are eligible for post-retirement benefits.

Required monthly contributions vary and are a percent of total cost. GASB requires estimated retiree costs to be based on experience taking the older ages in to account. The excess of expected age adjusted (or actual) costs over retiree contributions equals the implicit subsidy that forms the baseline cost for the valuation.

Health benefits for actives and retirees under 65 and dental are self-funded but administered by Wellmark. For persons over 65 a Medicare Supplement plan is purchased and prescription drug coverage is the same as for actives and under 65 retirees.

Life insurance for retirees is \$4,000 with no additional reductions. Retirees do not contribute for this coverage.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree health care on a pay-as-you-go basis.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 626,779
Interest on net OPEB obligation	60,019
Adjustment to annual required contribution	<u>(31,949)</u>
Annual OPEB cost	654,849
Contributions made	<u>(478,276)</u>
Increase in net OPEB cost	176,573
Net OPEB obligation beginning of year	<u>1,333,765</u>
Net OPEB obligation end of year	\$ <u>1,510,338</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the City contributed \$478,276 to the plan.

The City's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ <u>938,266</u>	38.4 %	\$ <u>1,185,455</u>
June 30, 2011	\$ <u>626,586</u>	76.3 %	\$ <u>1,333,765</u>
June 30, 2012	\$ <u>654,849</u>	73.0 %	\$ <u>1,510,338</u>

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$10,317,230 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,317,230. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,941,000 and the ratio of the UAAL to covered payroll was 431.5%. As of June 30, 2012, there were no trust fund assets.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the City's past experience. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 7: OTHER NOTES PAYABLE

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the various sewer revenue notes described below. These notes are payable solely from wastewater customer net revenues and are payable through 2041. Annual principal and interest payments on these notes are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the notes is \$17,066,801. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation/amortization expense) were \$5,623,678 (\$4,164,000 current refunding) and \$2,733,710, respectively.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- c) Additionally, monthly transfers of \$41,667 to separate wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2012, the City was in compliance with the revenue note provisions.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7: OTHER NOTES PAYABLE (Continued)

Details of revenue notes payable at June 30, 2012 are as follows:

Business type activities:

During the year ended June 30, 1993, the City entered into an agreement with the Iowa Finance Authority to borrow \$4,476,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 1 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1995 with interest due semi-annually at the rate of 3.00%, changed from the original rate of 4.37% on December 1, 2005, with final maturity on June 1, 2014. This note was refinanced during the fiscal year by the Sewer Revenue Refunding Capital Loan Note described below.

During the year ended June 30, 1995, the City entered into another agreement with the Iowa Finance Authority to borrow \$3,966,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 2 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1996 with interest due semi-annually at the rate of 3.00%, changed from the original rate of 3.74% on December 1, 2005, with final maturity on June 1, 2015. This note was refinanced during the fiscal year by the Sewer Revenue Refunding Capital Loan Note described below.

During the year ended June 30, 1996, the City entered into an agreement with the Iowa Finance Authority to borrow \$6,558,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 of a 3 phase project). The note calls for annual payments beginning June 1, 1998, with interest due semi-annually at the rate of 3.00%, changed from the original rate of 4.19% on December 1, 2006, with final maturity on June 1, 2016. This note was refinanced during the fiscal year by the Sewer Revenue Refunding Capital Loan note described below.

During the year ended June 30, 2007, the City entered into an agreement with the Iowa Finance Authority in connection with the issuance of a Sewer Revenue Capital Loan Note (Waste water plant improvements). The note calls for annual payments beginning June 1, 2010, with interest due semi-annually calculated at 3.00% with final maturity date of June 1, 2039.

During the year ended June 30, 2009, the City entered into an agreement with the Iowa Finance Authority in connection with the issuance of a Sewer Revenue Capital Loan Note for engineering, planning and design work related to the waste water plant and collection system. Interest is calculated at 0.00% on borrowings not to exceed \$650,000, until negotiations of the note is finalized. Proceeds received during fiscal year 2012 were \$714.

During the year ended June 30, 2010, the City entered into an agreement with Iowa Finance Authority to borrow up to \$5,426,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 construction). The note calls for annual principal payments beginning on June 1, 2011, with interest due semi-annually at the rate of 3.00% with a final maturity date of June 1, 2041. Proceeds received during fiscal year 2012 were \$1,413,203.

During the year ended June 30, 2012, the City entered into an agreement with various financial institutions in connection with the issuance of a Sewer Revenue refunding Capital Loan note to borrow up to \$4,273,000 for the purposes of refunding of the notes related to the Phase 1, Phase 2 and Phase 3 sewer separation project. The note calls for annual payments beginning June 1, 2012, with interest due semi-annually at the rate of 1.34%, with final maturity on June 1, 2016. Proceeds received during fiscal year 2012 were \$4,273,000.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7: OTHER NOTES PAYABLE (Continued)

The following is a summary of note transactions for the year ended June 30, 2012:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Proceeds During Year</u>	<u>Payments During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>
<u>Business Type Funds:</u>						
Sewer Utility:						
Phase 1	3.00%	\$ 937,000	\$ -	\$ 937,000	\$ -	\$ 14,055
Phase 2	3.00%	1,042,000	-	1,042,000	-	15,630
Phase 3	3.00%	2,185,000	-	2,185,000	-	68,863
Waste water plant improvements	3.00%	3,250,000	-	76,000	3,174,000	97,500
North side study	0.00%	638,519	714	-	639,233	-
Phase 3 – construction	3.00%	4,007,797	1,413,203	1,000	5,420,000	162,224
Construction refinance	1.34%	-	<u>4,273,000</u>	<u>1,012,000</u>	<u>3,261,000</u>	<u>12,406</u>
Total enterprise funds		\$ <u>12,060,316</u>	\$ <u>5,686,917</u>	\$ <u>5,253,000</u>	\$ <u>12,494,233</u>	\$ <u>370,678</u>

The following table summarizes the principal and interest due on the City's other notes payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,766,233	\$ 301,817	\$ 2,068,050
2014	1,149,000	285,404	1,434,404
2015	825,000	268,663	1,093,663
2016	625,000	256,214	881,214
2017	228,000	244,170	472,170
2018 - 2022	1,254,000	1,113,720	2,367,720
2023 - 2027	1,463,000	913,500	2,376,500
2028 - 2032	1,710,000	679,710	2,389,710
2033 - 2037	1,998,000	406,470	2,404,470
2038 - 2041	<u>1,476,000</u>	<u>102,900</u>	<u>1,578,900</u>
Total	\$ <u>12,494,233</u>	\$ <u>4,572,568</u>	\$ <u>17,066,801</u>

NOTE 8: INTEREST EXPENSE

Interest expense for the year ended June 30, 2012 is summarized below:

<u>Fund</u>	<u>General Obligation Bonds</u>	<u>Other Notes</u>	<u>Total</u>
Debt service	\$ 264,126	\$ 57,998	\$ 322,124
Sewer utility	-	<u>566,181</u>	<u>566,181</u>
Totals	\$ <u>264,126</u>	\$ <u>624,179</u>	\$ <u>888,305</u>

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2012 the City had signed several construction contracts that are summarized below:

Total commitments	\$ 7,928,551
Less amounts paid or accrued	<u>3,593,417</u>
Remaining commitments	\$ <u>4,335,134</u>

A significant portion of these commitments are for street, sewer and airport projects and are financed by general obligation bonds and FAA Grants. The remaining balance at June 30, 2012 will be paid as work on the projects progress.

NOTE 10: INTERNAL SERVICE FUNDS NET ASSETS

The following is a summary of the changes in the internal service funds net assets for the year ended June 30, 2012:

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
Net assets - Beginning of year	\$ 613,773	\$ 1,597,442	\$ 2,211,215
Change in net assets	<u>276,439</u>	<u>70,042</u>	<u>346,481</u>
Net assets - End of year	\$ <u>890,212</u>	\$ <u>1,667,484</u>	\$ <u>2,557,696</u>

NOTE 11: DONOR RESTRICTED ENDOWMENTS

The City has received certain endowments for the maintenance of the Ottumwa Cemetery. The amount is reflected in net assets as restricted for permanent funds. Investment income (including appreciation) is approved for expenditure by its individual Board. At June 30, 2012, net appreciation of \$29,564 was available to be spent, of which \$29,564 is restricted to specific purposes.

NOTE 12: RESERVED NET ASSETS

Reserved net assets for the business type activities consisted of the following at June 30, 2012:

<u>Fund</u>	<u>Description</u>	<u>Total</u>
Sewer Sinking	Debt service	\$ <u>95,000</u>

NOTE 13: CLOSURE AND POST CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is very large and the City expects it to remain in operation for another 40 to 50 years. The state and federal regulations require individual cells to be monitored for 30 years after closure. The \$2,456,665 reported as landfill closure and post closure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 95% of the estimated capacity of the cell the City is currently using (which was recently expanded). Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. As future cells are developed in the landfill, the related closure and post closure costs will be accounted for and accrued over the respective operating lives of each cell. The following table summarizes the estimated liability and funds set aside for closure and post closure costs:

	<u>Closure</u>	<u>Post Closure</u>	<u>Total</u>
Balance, July 1, 2011	\$ 1,208,287	\$ 1,118,714	\$ 2,327,001
Fiscal year 2012 costs adjusted	<u>2,317</u>	<u>127,347</u>	<u>129,664</u>
Balance, June 30, 2012	\$ <u>1,210,604</u>	\$ <u>1,246,061</u>	\$ <u>2,456,665</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 13: CLOSURE AND POST CLOSURE CARE COST (Continued)

The City currently has funded \$636,698 for post closure and \$200,005 for closure cost. The unfunded portion of the closure and postclosure liability of \$1,619,962 is provided by the City in the form of a local government guarantee.

NOTE 14: RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$2,025 during the year ended June 30, 2012.

NOTE 15: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$502,214.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 15: RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with public employee blanket bond. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 16: SELF INSURED HEALTH CARE

The City of Ottumwa maintains a self-funded health insurance plan for City employees. This plan is funded by the City and is administered by a third party. The City pays the administrator a monthly fixed fee for various claim administration services. The City carries specific stop-loss and aggregate stop-loss insurance against catastrophic losses. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The following is a summary of claims and changes in the liability for the year.

	<u>Year Ended</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Liability - Beginning of year	\$ 310,018	\$ 276,667
Payments and accruals	(2,668,358)	(2,379,555)
Estimated claims incurred	<u>2,735,507</u>	<u>2,412,906</u>
Liability - End of year	\$ <u>377,167</u>	\$ <u>310,018</u>

The above liabilities are included in accounts payable on the balance sheet.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 17: SEWER UTILITY FUND

The combining statement of net assets for the Sewer Utility Fund as of June 30, 2012 is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Improvement</u>	<u>Sewer Construction</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 2,497,335	\$ 95,000	\$ 360,000	\$ 1,564,905	\$ 4,517,240
Other assets	<u>39,548,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,548,345</u>
Total assets	\$ <u>42,045,680</u>	\$ <u>95,000</u>	\$ <u>360,000</u>	\$ <u>1,564,905</u>	\$ <u>44,065,585</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>Liabilities</u>	\$ <u>19,085,139</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>39,095</u>	\$ <u>19,124,234</u>
<u>Net Assets:</u>					
Investment in capital assets, net of related debt	19,531,405	-	-	-	19,531,405
Retained earnings:					
Restricted:					
Debt service	-	95,000	-	-	95,000
Unrestricted	<u>3,429,136</u>	<u>-</u>	<u>360,000</u>	<u>1,525,810</u>	<u>5,314,946</u>
Total net assets	<u>22,960,541</u>	<u>95,000</u>	<u>360,000</u>	<u>1,525,810</u>	<u>24,941,351</u>
Total liabilities and net assets	\$ <u>42,045,680</u>	\$ <u>95,000</u>	\$ <u>360,000</u>	\$ <u>1,564,905</u>	\$ <u>44,065,585</u>

The combining statement of revenues, expenses and changes in fund net assets for the Sewer Utility Fund for the year ended June 30, 2012 is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Improvement</u>	<u>Sewer Construction</u>	<u>Total</u>
Operating revenues	\$ 5,984,158	\$ -	\$ -	\$ -	\$ 5,984,158
Operating expenses	<u>3,857,106</u>	<u>-</u>	<u>-</u>	<u>1,774,526</u>	<u>5,631,632</u>
Operating income (loss)	2,127,052	-	-	(1,774,526)	352,526
Nonoperating revenue (expense), net	<u>(330,716)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330,716)</u>
Income (loss) before capital contributions and grants and transfers	1,796,336	-	-	(1,774,526)	21,810
Capital contributions and grants	781,649	-	-	-	781,649
Transfers in	5,452,579	1,140,000	360,000	1,830,411	8,782,990
Transfers out	<u>(7,292,320)</u>	<u>(1,140,000)</u>	<u>-</u>	<u>-</u>	<u>(8,432,320)</u>
	<u>(1,058,092)</u>	<u>-</u>	<u>360,000</u>	<u>1,830,411</u>	<u>1,132,319</u>
Change in net assets	738,244	-	360,000	55,885	1,154,129
Net assets - Beginning of year	<u>22,222,297</u>	<u>95,000</u>	<u>-</u>	<u>1,469,925</u>	<u>23,787,222</u>
Net assets - End of year	\$ <u>22,960,541</u>	\$ <u>95,000</u>	\$ <u>360,000</u>	\$ <u>1,525,810</u>	\$ <u>24,941,351</u>

Schedule of sewer rates/Customer census

Rate of Usage:	<u>Until 12/31/11</u>	<u>After 12/31/11</u>
Base charge	\$14.25	\$14.50
Each 100 cubic foot unit	\$4.00	\$4.15

The Sewer Funds had 9,693 meters in service at June 30, 2012.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 18: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Internal Service	\$ 78,289
	Special Revenue:	
	Employee Benefits	2,700,901
	Emergency Fund	122,811
		<u>2,902,001</u>
State Road Use Tax Fund	Internal Service	90,072
	Special Revenue:	
	Local Option Sales Tax	464,080
	Employee Benefits	528,649
		<u>1,082,801</u>
Street Projects	Special Revenue:	
	Tax Increment Financing	796,872
	Local Option Sales Tax	167,000
	Employee Benefits	59,042
		<u>1,022,914</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	1,215,600
	Tax Increment Financing	967,980
	Proprietary:	
	Solid Waste	241,988
	Sewer Utility	3,526,909
		<u>5,952,477</u>
Nonmajor Special Revenue	General	124,849
	Special Revenue:	
	Tax Increment Financing	47,372
	Employee Benefits	740,771
	Risk Management	10,050
	Permanent:	
	Cemetery Memorial	2,801
	Cemetery Perpetual Care	9,314
		<u>935,157</u>
Nonmajor Capital Project	Capital Project:	
	Street Projects	106,000
	Special Revenue:	
	State Road Use Tax	13,000
	Employee Benefits	15,381
		<u>134,381</u>
Nonmajor Permanent	Special Revenue:	
	Cemetery	90
Solid Waste	Debt Service	<u>225,000</u>
Sewer Utility	Special Revenue:	
	Local Option Sales Tax	541,630
	Employee Benefits	5,949
	Debt Service	3,330,000
	Proprietary:	
	Sewer Utility	4,905,411
		<u>8,782,990</u>
Events Center	General	578,695
	Debt Service Fund	1,145,000
		<u>1,723,695</u>
Nonmajor Proprietary	Debt Service	<u>122,500</u>
Internal Service	General	184,800
	Special Revenue:	
	State Road Use tax	250,000
	Cemetery	10,000
		<u>444,800</u>
Total		\$ <u>23,328,806</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 19: DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 3,212
	Tax Increment Financing	<u>44,000</u>
		<u>47,212</u>
Special Revenue:	Special Revenue:	
Airport	Tax Increment Financing	<u>47,372</u>
		\$ <u>94,584</u>

This balance results from an interfund loans to finance projects. Repayments will be made from future revenues.

NOTE 20: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2012, it was determined that certain assets and liabilities were not properly recorded for the year ended June 30, 2011. As a result, the following changes have been made to net assets as of June 30, 2011:

Fund financial statements

	<u>General</u>	<u>Special Revenue Road Use Tax</u>	<u>Risk Management</u>	<u>Capital Projects Airport Projects</u>	<u>Total</u>
As previously reported at June 30, 2011	\$ 2,910,550	\$ 1,261,331	\$ 621,098	\$ 209,698	\$ 5,002,677
Adjustments	<u>32,336</u>	<u>444,762</u>	<u>49,283</u>	<u>395,929</u>	<u>922,310</u>
As restated at June 30, 2011	\$ <u>2,942,886</u>	\$ <u>1,706,093</u>	\$ <u>670,381</u>	\$ <u>605,627</u>	\$ <u>5,924,987</u>

Government-wide financial statements

	<u>Governmental Activities</u>
As previously reported at June 30, 2011	\$ 53,712,817
Adjustments	<u>395,929</u>
As restated at June 30, 2011	\$ <u>54,108,746</u>

NOTE 21: DEFICIT BALANCES

The Park Projects and Levee Repairs capital project funds had deficit balances of \$9,988 and \$23,793, respectively, at June 30, 2012. These deficits are a result of ongoing capital projects, which will be eliminated by a variety of sources including intergovernmental funds, donations, and funds on hand.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 22: FUND BALANCE REPORTING

The detail of the City's governmental funds modified accrual basis fund balances at June 30, 2012, is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ 3,090	\$ -	\$ -	\$ 68,217	\$ -	\$ 71,307
Insurance	-	-	-	244,457	-	244,457
Cemetery perpetual care	-	-	-	-	664,929	664,929
Cemetery memorial	-	-	-	-	103,370	103,370
Total nonspendable	<u>3,090</u>	<u>-</u>	<u>-</u>	<u>312,674</u>	<u>768,299</u>	<u>1,084,063</u>
Restricted for:						
Debt service	-	275,896	-	-	-	275,896
Road improvements	-	-	-	1,998,039	-	1,998,039
Tax increment financing	-	-	-	913,404	-	913,404
Local option sales tax	-	-	-	2,820,947	-	2,820,947
Employee benefits	-	-	-	680,813	-	680,813
Airport	-	-	-	198,533	-	198,533
Library/Library bequest	-	-	-	475,887	-	475,887
Cemetery	-	-	-	49,935	-	49,935
Block grants	-	-	-	5,938	-	5,938
Risk management	-	-	-	543,591	-	543,591
Fire	-	-	-	23,119	-	23,119
Retiree health insurance	-	-	-	1,858,588	-	1,858,588
Parks	-	-	-	52,653	-	52,653
Police	-	-	-	68,318	-	68,318
Historic preservation	-	-	-	2,985	-	2,985
Sidewalks	-	-	202,376	-	-	202,376
Airport projects	-	-	217,723	-	-	217,723
Street projects	-	-	626,101	-	-	626,101
Park projects	-	-	-	-	-	-
Other bond projects	-	-	368,421	-	-	368,421
Levee repairs	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	1,367	1,367
Cemetery memorial	-	-	-	-	29,564	29,564
Total restricted	<u>-</u>	<u>275,896</u>	<u>1,414,621</u>	<u>9,692,750</u>	<u>30,931</u>	<u>11,414,198</u>
Unassigned	<u>2,918,590</u>	<u>-</u>	<u>(33,781)</u>	<u>-</u>	<u>-</u>	<u>2,884,809</u>
Total fund balances	\$ <u>2,921,680</u>	\$ <u>275,896</u>	\$ <u>1,380,840</u>	\$ <u>10,005,424</u>	\$ <u>799,230</u>	\$ <u>15,383,070</u>

NOTE 23: SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 17, 2013, the date the financial statements were available to be issued. Subsequent to June 30, 2012, the City issued \$2,690,000 of general obligation refunding capital loan notes and \$2,880,000 of general obligation local option sales tax refunding bonds in December of 2012 for the purpose of refinancing previous issuances for financial benefit.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS) -
GOVERNMENTAL AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Property tax	\$ 12,449,563	\$ 380,141	\$ 12,829,704
Other city tax	3,667,796	-	3,667,796
Licenses and permits	360,051	-	360,051
Intergovernmental	5,238,675	548,657	5,787,332
Use of money and property	643,127	60,869	703,996
Charges for service	4,413,806	9,570,667	13,984,473
Other fines	380,579	-	380,579
Miscellaneous	<u>1,214,835</u>	<u>180,614</u>	<u>1,395,449</u>
Total revenues	<u>28,368,432</u>	<u>10,740,948</u>	<u>39,109,380</u>
<u>EXPENSES:</u>			
Current:			
Public safety	7,432,279	-	7,432,279
Public works	6,910,506	-	6,910,506
Health and social services	590,460	-	590,460
Culture and recreation	2,769,930	-	2,769,930
Community and economic development	1,809,531	-	1,809,531
General government	2,422,958	-	2,422,958
Capital projects	4,963,830	-	4,963,830
Debt service	3,065,443	-	3,065,443
Business-type activities	-	<u>19,764,031</u>	<u>19,764,031</u>
Total expenses	<u>29,964,937</u>	<u>19,764,031</u>	<u>49,728,968</u>
Excess (deficiency) of revenues over (under) expenses	<u>(1,596,505)</u>	<u>(9,023,083)</u>	<u>(10,619,588)</u>
Other financing sources, net	<u>487,255</u>	<u>11,803,443</u>	<u>12,290,698</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(1,109,250)</u>	<u>2,780,360</u>	<u>1,671,110</u>
Fund balance - Beginning of year, as restated	<u>16,492,320</u>	<u>4,089,503</u>	<u>20,581,823</u>
Fund balance - End of year	\$ <u>15,383,070</u>	\$ <u>6,869,863</u>	\$ <u>22,252,933</u>

See Accompanying Independent Auditor's Report

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 11,376,821	\$ 11,376,821	\$ 1,452,883
5,107,572	5,107,572	(1,439,776)
217,079	217,079	142,972
9,635,955	10,589,334	(4,802,002)
765,897	794,685	(90,689)
17,420,289	17,882,781	(3,898,308)
41,000	41,000	339,579
876,681	1,484,232	(88,783)
<u>45,441,294</u>	<u>47,493,504</u>	<u>(8,384,124)</u>
7,299,019	7,685,919	253,640
6,856,176	7,844,222	933,716
657,241	725,987	135,527
2,248,281	2,894,353	124,423
1,250,566	2,296,269	486,738
2,627,127	2,630,880	207,922
9,321,567	9,666,268	4,702,438
5,096,150	8,323,053	5,257,610
<u>15,596,971</u>	<u>21,602,420</u>	<u>1,838,389</u>
<u>50,953,098</u>	<u>63,669,371</u>	<u>13,940,403</u>
<u>(5,511,804)</u>	<u>(16,175,867)</u>	<u>5,556,279</u>
<u>1,193,000</u>	<u>11,790,963</u>	<u>499,735</u>
(4,318,804)	(4,384,904)	6,056,014
<u>22,211,899</u>	<u>25,307,101</u>	<u>(4,725,278)</u>
\$ <u>17,893,095</u>	\$ <u>20,922,197</u>	\$ <u>1,330,736</u>

CITY OF OTTUMWA, IOWA

BUDGET TO GAAP RECONCILIATION/
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Proprietary Funds		
	Budget Basis	Budget Adjustments	GAAP Basis
Revenues	\$ 10,740,948	\$ (781,649)	\$ 11,522,597
Expenditures/expenses	<u>19,764,031</u>	<u>(8,136,782)</u>	<u>11,627,249</u>
Net	(9,023,083)	(8,918,431)	(104,652)
Other financing sources, net	11,803,443	9,623,566	2,179,877
Beginning net assets	<u>4,089,503</u>	<u>(42,240,270)</u>	<u>46,329,773</u>
Ending net assets	\$ <u>6,869,863</u>	\$ <u>(41,535,135)</u>	\$ <u>48,404,998</u>

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Project Funds, Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$12,716,273. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2008	\$ -	\$ 14,363,186	\$ 14,363,186	0.00%	\$ 2,600,000	452.4%
2011	July 1, 2010	\$ -	\$ 10,317,230	\$ 10,317,230	0.00%	\$ 2,297,000	349.1%
2012	July 1, 2010	\$ -	\$ 10,317,230	\$ 10,317,230	0.00%	\$ 1,941,000	431.5%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

Schedule 1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

<u>ASSETS</u>	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 4,274,518	\$ 790,146	\$ 800,562	\$ 5,865,226
Receivables:				
Property taxes	1,606,092	-	-	1,606,092
Accounts	86,124	157,653	-	243,777
Due from other governments	39,696	180,349	-	220,045
Due from other funds	47,372	-	-	47,372
Inventory	30,598	-	-	30,598
Prepaid insurance	244,457	-	-	244,457
Deposit	25,000	-	-	25,000
 TOTAL ASSETS	 \$ 6,353,857	 \$ 1,128,148	 \$ 800,562	 \$ 8,282,567
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 167,644	\$ 219,849	\$ 1,332	\$ 388,825
Wages and benefits payable	31,300	-	-	31,300
Unearned property tax revenue	1,577,359	-	-	1,577,359
Unearned revenue	14,964	153,560	-	168,524
Due to other funds	94,584	-	-	94,584
 TOTAL LIABILITIES	 1,885,851	 373,409	 1,332	 2,260,592
 <u>FUND BALANCES:</u>				
Nonspendable	275,055	-	768,299	1,043,354
Restricted	4,192,951	788,520	30,931	5,012,402
Unassigned	-	(33,781)	-	(33,781)
 TOTAL FUND BALANCES	 4,468,006	 754,739	 799,230	 6,021,975
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 6,353,857	 \$ 1,128,148	 \$ 800,562	 \$ 8,282,567

CITY OF OTTUMWA, IOWA

Schedule 2

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>REVENUES:</u>				
Property tax	\$ 1,968,228	\$ -	\$ -	\$ 1,968,228
Intergovernmental	255,867	1,057,745	-	1,313,612
Use of money and property	458,677	5,736	11,289	475,702
Charges for service	468,157	1,375	16,605	486,137
Miscellaneous	927,943	157,873	-	1,085,816
Total revenues	<u>4,078,872</u>	<u>1,222,729</u>	<u>27,894</u>	<u>5,329,495</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	88,809	309,113	-	397,922
Public works	1,094,628	275,010	-	1,369,638
Health and social services	-	99,105	-	99,105
Culture and recreation	1,127,814	456,469	-	1,584,283
Community and economic development	1,398,600	67,860	-	1,466,460
General government	1,228,400	38,325	-	1,266,725
Bond issue costs	37,320	-	-	37,320
Capital outlay	-	1,508,514	-	1,508,514
Total expenditures	<u>4,975,571</u>	<u>2,754,396</u>	<u>-</u>	<u>7,729,967</u>
Excess (deficiency) of revenues over (under) expenditures	(896,699)	(1,531,667)	27,894	(2,400,472)
Other financing sources (uses):				
Transfers in	935,157	134,381	90	1,069,628
Transfers out	(1,955,175)	-	(12,115)	(1,967,290)
General obligation bonds issued	2,840,107	103,464	-	2,943,571
Total other financing sources (uses)	<u>1,820,089</u>	<u>237,845</u>	<u>(12,025)</u>	<u>2,045,909</u>
Net change in fund balances	923,390	(1,293,822)	15,869	(354,563)
Fund balance - Beginning of year, as restated	<u>3,544,616</u>	<u>2,048,561</u>	<u>783,361</u>	<u>6,376,538</u>
Fund balance - End of year	\$ <u>4,468,006</u>	\$ <u>754,739</u>	\$ <u>799,230</u>	\$ <u>6,021,975</u>

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
Cash and cash equivalents	\$ 120,353	\$ -	\$ 392,100	\$ 56,457	\$ -
Receivables:					
Property taxes	-	3,212	398,462	127,451	-
Accounts	66,797	-	1,194	2,799	14,964
Due from other governments	5,543	-	-	-	34,153
Due from other funds	47,372	-	-	-	-
Inventory	30,598	-	-	-	-
Prepaid insurance	14,048	-	6,230	3,676	-
Deposit	-	-	-	-	-
TOTAL ASSETS	\$ 284,711	\$ 3,212	\$ 797,986	\$ 190,383	\$ 49,117
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 34,732	\$ -	\$ 2,701	\$ 6,563	\$ 28,215
Wages and benefits payable	6,800	-	16,500	6,000	-
Unearned property tax revenue	-	-	388,576	124,209	-
Unearned revenue	-	-	-	-	14,964
Due to other funds	-	3,212	-	-	-
TOTAL LIABILITIES	41,532	3,212	407,777	136,772	43,179
<u>FUND BALANCES:</u>					
Nonspendable	44,646	-	6,230	3,676	-
Restricted	198,533	-	383,979	49,935	5,938
TOTAL FUND BALANCES	243,179	-	390,209	53,611	5,938
TOTAL LIABILITIES AND FUND BALANCES	\$ 284,711	\$ 3,212	\$ 797,986	\$ 190,383	\$ 49,117

<u>Tax Increment Financing</u>	<u>Risk Management</u>	<u>Fire Bequest</u>	<u>Retiree Health Insurance</u>	<u>Library Bequest</u>	<u>Park Bequest</u>	<u>Police Bequest</u>	<u>Historic Preservation</u>	<u>Total</u>
\$ 1,009,443	\$ 529,491	\$ 23,231	\$ 1,890,996	\$ 128,117	\$ 52,653	\$ 68,692	\$ 2,985	\$ 4,274,518
714,270	362,697	-	-	-	-	-	-	1,606,092
-	370	-	-	-	-	-	-	86,124
-	-	-	-	-	-	-	-	39,696
-	-	-	-	-	-	-	-	47,372
-	-	-	-	-	-	-	-	30,598
-	220,503	-	-	-	-	-	-	244,457
-	25,000	-	-	-	-	-	-	25,000
<u>\$ 1,723,713</u>	<u>\$ 1,138,061</u>	<u>\$ 23,231</u>	<u>\$ 1,890,996</u>	<u>\$ 128,117</u>	<u>\$ 52,653</u>	<u>\$ 68,692</u>	<u>\$ 2,985</u>	<u>\$ 6,353,857</u>
\$ 9,106	\$ 17,224	\$ 112	\$ 32,408	\$ 36,209	\$ -	\$ 374	\$ -	\$ 167,644
-	2,000	-	-	-	-	-	-	31,300
709,831	354,743	-	-	-	-	-	-	1,577,359
-	-	-	-	-	-	-	-	14,964
91,372	-	-	-	-	-	-	-	94,584
<u>810,309</u>	<u>373,967</u>	<u>112</u>	<u>32,408</u>	<u>36,209</u>	<u>-</u>	<u>374</u>	<u>-</u>	<u>1,885,851</u>
-	220,503	-	-	-	-	-	-	275,055
913,404	543,591	23,119	1,858,588	91,908	52,653	68,318	2,985	4,192,951
913,404	764,094	23,119	1,858,588	91,908	52,653	68,318	2,985	4,468,006
<u>\$ 1,723,713</u>	<u>\$ 1,138,061</u>	<u>\$ 23,231</u>	<u>\$ 1,890,996</u>	<u>\$ 128,117</u>	<u>\$ 52,653</u>	<u>\$ 68,692</u>	<u>\$ 2,985</u>	<u>\$ 6,353,857</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
<u>REVENUES:</u>					
Property tax	\$ -	\$ 122,811	\$ 378,035	\$ 123,977	\$ -
Intergovernmental	16,043	-	29,875	-	201,060
Use of money and property	414,581	-	2,309	22,568	-
Charges for service	-	-	15,304	112,448	-
Miscellaneous	556,073	-	139,285	3,409	457
Total revenues	<u>986,697</u>	<u>122,811</u>	<u>564,808</u>	<u>262,402</u>	<u>201,517</u>
<u>EXPENDITURES:</u>					
Operating:					
Public safety	-	-	-	-	-
Public works	1,094,628	-	-	-	-
Culture and recreation	-	-	657,332	306,775	-
Community and economic development	36,679	-	-	-	220,290
General government	-	-	-	-	-
Bond issue costs	-	-	-	-	-
Total expenditures	<u>1,131,307</u>	<u>-</u>	<u>657,332</u>	<u>306,775</u>	<u>220,290</u>
Excess (deficiency) of revenues over (under) expenditures	(144,610)	122,811	(92,524)	(44,373)	(18,773)
Other financing sources (uses):					
Transfers in	102,326	-	154,906	67,136	10,000
Transfers out	-	(122,811)	-	(10,090)	-
General obligation bonds issued	-	-	-	-	-
Total other financing sources (uses)	<u>102,326</u>	<u>(122,811)</u>	<u>154,906</u>	<u>57,046</u>	<u>10,000</u>
Net change in fund balances	(42,284)	-	62,382	12,673	(8,773)
Fund balance - Beginning of year, as restated	<u>285,463</u>	<u>-</u>	<u>327,827</u>	<u>40,938</u>	<u>14,711</u>
Fund balance - End of year	\$ <u>243,179</u>	\$ <u>-</u>	\$ <u>390,209</u>	\$ <u>53,611</u>	\$ <u>5,938</u>

<u>Tax Increment Financing</u>	<u>Risk Management</u>	<u>Fire Bequest</u>	<u>Retiree Health Insurance</u>	<u>Library Bequest</u>	<u>Park Bequest</u>	<u>Police Bequest</u>	<u>Historic Preservation</u>	<u>Total</u>
\$ 1,039,292	\$ 304,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,968,228
-	-	-	-	-	-	4,604	4,285	255,867
-	3,802	168	13,560	707	451	531	-	458,677
-	-	-	340,405	-	-	-	-	468,157
-	45,229	1,992	12,297	100,644	22,885	45,672	-	927,943
<u>1,039,292</u>	<u>353,144</u>	<u>2,160</u>	<u>366,262</u>	<u>101,351</u>	<u>23,336</u>	<u>50,807</u>	<u>4,285</u>	<u>4,078,872</u>
-	48,302	4,371	-	-	-	36,136	-	88,809
-	-	-	-	-	-	-	-	1,094,628
-	-	-	-	118,083	45,624	-	-	1,127,814
1,137,342	-	-	-	-	-	-	4,289	1,398,600
-	315,928	-	912,472	-	-	-	-	1,228,400
37,320	-	-	-	-	-	-	-	37,320
<u>1,174,662</u>	<u>364,230</u>	<u>4,371</u>	<u>912,472</u>	<u>118,083</u>	<u>45,624</u>	<u>36,136</u>	<u>4,289</u>	<u>4,975,571</u>
(135,370)	(11,086)	(2,211)	(546,210)	(16,732)	(22,288)	14,671	(4)	(896,699)
-	114,849	-	485,940	-	-	-	-	935,157
(1,812,224)	(10,050)	-	-	-	-	-	-	(1,955,175)
2,840,107	-	-	-	-	-	-	-	2,840,107
<u>1,027,883</u>	<u>104,799</u>	<u>-</u>	<u>485,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,820,089</u>
892,513	93,713	(2,211)	(60,270)	(16,732)	(22,288)	14,671	(4)	923,390
20,891	670,381	25,330	1,918,858	108,640	74,941	53,647	2,989	3,544,616
<u>\$ 913,404</u>	<u>\$ 764,094</u>	<u>\$ 23,119</u>	<u>\$ 1,858,588</u>	<u>\$ 91,908</u>	<u>\$ 52,653</u>	<u>\$ 68,318</u>	<u>\$ 2,985</u>	<u>\$ 4,468,006</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Park Projects</u>
Cash and cash equivalents	\$ 198,283	\$ 179,851	\$ -
Receivables:			
Accounts	4,093	-	-
Due from other governments	<u>-</u>	<u>86,410</u>	<u>93,939</u>
TOTAL ASSETS	\$ <u>202,376</u>	\$ <u>266,261</u>	\$ <u>93,939</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ -	\$ 48,538	\$ 103,927
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>48,538</u>	<u>103,927</u>
<u>FUND BALANCES:</u>			
Restricted	202,376	217,723	-
Unassigned	<u>-</u>	<u>-</u>	<u>(9,988)</u>
TOTAL FUND BALANCES	<u>202,376</u>	<u>217,723</u>	<u>(9,988)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>202,376</u>	\$ <u>266,261</u>	\$ <u>93,939</u>

<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 370,015	\$ 41,997	\$ 790,146
153,560	-	157,653
<u>-</u>	<u>-</u>	<u>180,349</u>
\$ <u>523,575</u>	\$ <u>41,997</u>	\$ <u>1,128,148</u>
\$ 1,594	\$ 65,790	\$ 219,849
<u>153,560</u>	<u>-</u>	<u>153,560</u>
<u>155,154</u>	<u>65,790</u>	<u>373,409</u>
368,421	-	788,520
<u>-</u>	<u>(23,793)</u>	<u>(33,781)</u>
<u>368,421</u>	<u>(23,793)</u>	<u>754,739</u>
\$ <u>523,575</u>	\$ <u>41,997</u>	\$ <u>1,128,148</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Park Projects</u>
<u>REVENUES:</u>			
Intergovernmental	\$ -	\$ 495,182	\$ 384,611
Use of money and property	1,437	3,602	-
Charges for service	-	-	-
Miscellaneous	<u>343</u>	<u>167</u>	<u>135,471</u>
Total revenues	<u>1,780</u>	<u>498,951</u>	<u>520,082</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	-	-
Capital outlay	<u>1,234</u>	<u>895,628</u>	<u>611,652</u>
Total expenditures	<u>1,234</u>	<u>895,628</u>	<u>611,652</u>
Excess (deficiency) of revenues over (under) expenditures	546	(396,677)	(91,570)
Other financing sources:			
Transfers in	-	8,773	-
General obligation bonds issued	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>8,773</u>	<u>-</u>
Net change in fund balances	546	(387,904)	(91,570)
Fund balance - Beginning of year, as restated	<u>201,830</u>	<u>605,627</u>	<u>81,582</u>
Fund balance - End of year	\$ <u>202,376</u>	\$ <u>217,723</u>	\$ <u>(9,988)</u>

Other Bond Projects	Levee Repairs	Total
\$ 177,952	\$ -	\$ 1,057,745
-	697	5,736
1,375	-	1,375
<u>21,830</u>	<u>62</u>	<u>157,873</u>
<u>201,157</u>	<u>759</u>	<u>1,222,729</u>
105,522	203,591	309,113
275,010	-	275,010
99,105	-	99,105
456,469	-	456,469
67,860	-	67,860
38,325	-	38,325
-	-	<u>1,508,514</u>
<u>1,042,291</u>	<u>203,591</u>	<u>2,754,396</u>
(841,134)	(202,832)	(1,531,667)
119,000	6,608	134,381
<u>103,464</u>	<u>-</u>	<u>103,464</u>
<u>222,464</u>	<u>6,608</u>	<u>237,845</u>
(618,670)	(196,224)	(1,293,822)
<u>987,091</u>	<u>172,431</u>	<u>2,048,561</u>
\$ <u>368,421</u>	\$ <u>(23,793)</u>	\$ <u>754,739</u>

CITY OF OTTUMWA, IOWA

Schedule 7

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2012

	Cemetery Perpetual Care	Cemetery Memorial	Total Nonmajor Permanent Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>667,628</u>	\$ <u>132,934</u>	\$ <u>800,562</u>
TOTAL ASSETS	\$ <u>667,628</u>	\$ <u>132,934</u>	\$ <u>800,562</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ <u>1,332</u>	\$ <u>-</u>	\$ <u>1,332</u>
<u>FUND BALANCES:</u>			
Nonspendable	664,929	103,370	768,299
Restricted	<u>1,367</u>	<u>29,564</u>	<u>30,931</u>
TOTAL FUND BALANCES	<u>666,296</u>	<u>132,934</u>	<u>799,230</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>667,628</u>	\$ <u>132,934</u>	\$ <u>800,562</u>

CITY OF OTTUMWA, IOWA

Schedule 8

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
YEAR ENDED JUNE 30, 2012

	Cemetery Perpetual Care	Cemetery Memorial	Total Nonmajor Permanent Funds
<u>REVENUES:</u>			
Interest income	\$ 9,314	\$ 1,975	\$ 11,289
Charges for service	<u>15,605</u>	<u>1,000</u>	<u>16,605</u>
Total revenues	<u>24,919</u>	<u>2,975</u>	<u>27,894</u>
Other financing sources (uses):			
Transfers in	-	90	90
Transfers out	<u>(9,314)</u>	<u>(2,801)</u>	<u>(12,115)</u>
Total other financing sources (uses)	<u>(9,314)</u>	<u>(2,711)</u>	<u>(12,025)</u>
Net change in fund balances	15,605	264	15,869
Fund balance - Beginning of year	<u>650,691</u>	<u>132,670</u>	<u>783,361</u>
Fund balance - End of year	\$ <u>666,296</u>	\$ <u>132,934</u>	\$ <u>799,230</u>

CITY OF OTTUMWA, IOWA

Schedule 9

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Current Assets:			
Cash and cash equivalents	\$ 138,959	\$ -	\$ 138,959
Receivables:			
Accounts	9,192	-	9,192
Property taxes	451,815	-	451,815
Due from other governments	147,974	-	147,974
Prepaid expenses	29,164	-	29,164
Total Current Assets	<u>777,104</u>	<u>-</u>	<u>777,104</u>
Capital Assets:			
Land	-	80,000	80,000
Buildings	1,262,958	174,855	1,437,813
Improvements other than buildings	-	893,562	893,562
Machinery and equipment	3,099,163	395,502	3,494,665
Less accumulated depreciation	<u>(2,574,370)</u>	<u>(976,667)</u>	<u>(3,551,037)</u>
Total Capital Assets	<u>1,787,751</u>	<u>567,252</u>	<u>2,355,003</u>
TOTAL ASSETS	\$ <u>2,564,855</u>	\$ <u>567,252</u>	\$ <u>3,132,107</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 12,488	\$ 15,823	\$ 28,311
Wages and benefits payable	21,600	-	21,600
Compensated absences payable	12,745	-	12,745
Unearned property tax revenue	441,873	-	441,873
Current portion of bonds payable	-	146,500	146,500
Total Current Liabilities	<u>488,706</u>	<u>162,323</u>	<u>651,029</u>
Long-term Liabilities:			
Other post employment benefits obligation	53,665	-	53,665
Due to other governments	91,459	-	91,459
Bonds payable - less current portion	-	31,000	31,000
Total long-term Liabilities	<u>145,124</u>	<u>31,000</u>	<u>176,124</u>
TOTAL LIABILITIES	<u>633,830</u>	<u>193,323</u>	<u>827,153</u>
<u>NET ASSETS:</u>			
Invested in net assets, net of related debt	1,787,751	389,752	2,177,503
Unrestricted	<u>143,274</u>	<u>(15,823)</u>	<u>127,451</u>
TOTAL NET ASSETS	<u>1,931,025</u>	<u>373,929</u>	<u>2,304,954</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,564,855</u>	\$ <u>567,252</u>	\$ <u>3,132,107</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 10

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:			
Charges for service	\$ 139,655	\$ -	\$ 139,655
Miscellaneous	1,895	10,000	11,895
Total operating revenues	<u>141,550</u>	<u>10,000</u>	<u>151,550</u>
Operating expenses:			
Operations	990,625	23,587	1,014,212
Depreciation	412,730	38,955	451,685
Total operating expenses	<u>1,403,355</u>	<u>62,542</u>	<u>1,465,897</u>
Operating loss	<u>(1,261,805)</u>	<u>(52,542)</u>	<u>(1,314,347)</u>
Nonoperating revenue:			
Interest income	535	-	535
Property taxes	380,141	-	380,141
Intergovernmental	537,803	-	537,803
Total nonoperating revenue	<u>918,479</u>	<u>-</u>	<u>918,479</u>
Loss before transfers	(343,326)	(52,542)	(395,868)
Transfers in	<u>-</u>	<u>122,500</u>	<u>122,500</u>
Change in net assets	(343,326)	69,958	(273,368)
Net assets - Beginning of year	<u>2,274,351</u>	<u>303,971</u>	<u>2,578,322</u>
Net assets - End of year	\$ <u>1,931,025</u>	\$ <u>373,929</u>	\$ <u>2,304,954</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 134,658	\$ 10,309	\$ 144,967
Cash paid to employees	(659,184)	-	(659,184)
Cash paid to suppliers	(436,317)	(13,957)	(450,274)
Cash used in operations	(1,095,501)	(13,957)	(1,109,458)
NET CASH USED IN OPERATING ACTIVITIES	(960,843)	(3,648)	(964,491)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	379,892	-	379,892
Intergovernmental	656,990	-	656,990
Transfers from other funds	-	122,500	122,500
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,036,882	122,500	1,159,382
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Payment of long term debt: General obligation bonds	-	(122,500)	(122,500)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	535	-	535
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	76,574	(3,648)	72,926
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>62,385</u>	<u>3,648</u>	<u>66,033</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 138,959</u>	<u>\$ -</u>	<u>\$ 138,959</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating loss	\$ (1,261,805)	\$ (52,542)	\$ (1,314,347)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	412,730	38,955	451,685
Changes in assets and liabilities:			
Decrease (increase) in receivables	(6,892)	309	(6,583)
Decrease (increase) in prepaid expenses	(851)	25,952	25,101
Decrease in accounts payable	(30,683)	(10,240)	(40,923)
Increase in wages and benefits payable	1,200	-	1,200
Decrease in due to other governments	(77,387)	-	(77,387)
Increase in compensated absences payable	2,317	-	2,317
Increase (decrease) in other post employment benefits obligation	528	(6,082)	(5,554)
NET CASH USED IN OPERATING ACTIVITIES	\$ (960,843)	\$ (3,648)	\$ (964,491)

CITY OF OTTUMWA, IOWA

Schedule 12

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	<u>Payroll Clearing</u>	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>181,560</u>	\$ <u>890,212</u>	\$ <u>2,044,651</u>	\$ <u>3,116,423</u>
TOTAL ASSETS	\$ <u>181,560</u>	\$ <u>890,212</u>	\$ <u>2,044,651</u>	\$ <u>3,116,423</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ <u>181,560</u>	\$ <u>-</u>	\$ <u>377,167</u>	\$ <u>558,727</u>
TOTAL LIABILITIES	<u>181,560</u>	<u>-</u>	<u>377,167</u>	<u>558,727</u>
<u>NET ASSETS:</u>				
Restricted	-	-	1,667,484	1,667,484
Unrestricted	<u>-</u>	<u>890,212</u>	<u>-</u>	<u>890,212</u>
TOTAL NET ASSETS	<u>-</u>	<u>890,212</u>	<u>1,667,484</u>	<u>2,557,696</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>181,560</u>	\$ <u>890,212</u>	\$ <u>2,044,651</u>	\$ <u>3,116,423</u>

CITY OF OTTUMWA, IOWA

Schedule 13

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN
FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Equipment Purchasing	Employee Insurance	Total
<u>OPERATING REVENUES:</u>			
Charges for service and other operating revenues	\$ -	\$ 2,790,931	\$ 2,790,931
<u>EXPENSES:</u>			
Operations	-	2,735,507	2,735,507
Operating income	-	55,424	55,424
Nonoperating revenue:			
Interest income	-	14,618	14,618
Income before transfers	-	70,042	70,042
Transfers:			
Transfers in	444,800	-	444,800
Transfers out	(168,361)	-	(168,361)
Total transfers	276,439	-	276,439
Change in net assets	276,439	70,042	346,481
Net assets - Beginning of year	613,773	1,597,442	2,211,215
Net assets - End of year	\$ 890,212	\$ 1,667,484	\$ 2,557,696

CITY OF OTTUMWA, IOWA

Schedule 14

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Payroll Clearing	Equipment Purchasing	Employee Insurance	Total Nonmajor Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from operations	\$ 26,086	\$ -	\$ 2,790,931	\$ 2,817,017
Cash paid to suppliers	-	-	(2,668,358)	(2,668,358)
Cash used in operations	-	-	(2,668,358)	(2,668,358)
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,086	-	122,573	148,659
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers from other funds	-	444,800	-	444,800
Transfers to other funds	-	(168,361)	-	(168,361)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	276,439	-	276,439
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest income received	-	-	14,618	14,618
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,086	276,439	137,191	439,716
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	155,474	613,773	1,907,460	2,676,707
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ 181,560	\$ 890,212	\$ 2,044,651	\$ 3,116,423
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating income	\$ -	\$ -	\$ 55,424	\$ 55,424
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in assets and liabilities:				
Increase in accounts payable	26,086	-	67,149	93,235
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,086	\$ -	\$ 122,573	\$ 148,659

CITY OF OTTUMWA, IOWA

Schedule 15

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Expenditures of Federal Awards</u>			
<u>Direct:</u>			
Department of Transportation:			
Airport Improvement Program	20.106	AIP-3-19-0073-16	\$ <u>432,159</u>
<u>Indirect:</u>			
Department of Housing and Urban Development:			
Community Development Block Grant/Small Cities Program	14.219	10-HM-119-65	<u>92,816</u>
Community Development Block Grant/Entitlement Grants	14.228	-	<u>7,108</u>
Community Development Block Grant/Entitlement Grants - ARRA	14.255	09-CDR-004	<u>79,310</u>
			<u>86,418</u>
Department of Commerce:			
EDA Grant	11.301	05-01-04959	<u>88,822</u>
Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	-	<u>894,815</u>
Highway Planning and Construction	20.205	-	<u>718,871</u>
State and Community Highway Safety	20.600	-	<u>25,971</u>
Department of Justice:			
Edward Byrne Memorial Formula Grant Program	16.738	-	<u>28,542</u>
Edward Byrne Memorial - JAG Program - ARRA	16.803	-	<u>199,715</u>
			<u>228,257</u>
Juvenile Justice and Delinquency Prevention	16.541	-	<u>1,050</u>
Cops Grant	16.710	-	<u>317,900</u>
Department of Homeland Security:			
Interagency Hazardous Materials Public Sector Training and Planning	20.703	-	<u>24,048</u>
Environmental Protection Agency:			
Brownfields Assessment and Cleanup Cooperative Agreements - ARRA	66.818	-	<u>101,136</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	-	<u>1,409,075</u>
Total Expenditures of Indirect Federal Awards			<u>3,989,179</u>
Total Expenditures of Federal Awards			\$ <u>4,421,338</u>

CITY OF OTTUMWA, IOWA

Schedule 15 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ottumwa, Iowa and is presented on the accrual/modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

STATISTICAL SECTION

This part of the City of Ottumwa, Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	79
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	90
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the government's ability to issue additional debt in the future.	96
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	102
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	105

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF OTTUMWA, IOWA

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	Fiscal Year				
	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Government Activities:					
Invested in capital assets, net of related debt	\$ 8,649	\$ 13,046	\$ 19,610	\$ 49,211	\$ 32,195
Restricted	349	82	203	297	983
Unrestricted	<u>6,429</u>	<u>7,491</u>	<u>8,115</u>	<u>3,065</u>	<u>8,000</u>
Total governmental activities net assets	\$ <u>15,427</u>	\$ <u>20,619</u>	\$ <u>27,928</u>	\$ <u>52,573</u>	\$ <u>41,178</u>
Business Type Activities:					
Invested in capital assets, net of related debt	\$ 10,101	\$ 10,263	\$ 10,830	\$ 11,774	\$ 30,964
Restricted	1,235	1,600	1,544	1,453	95
Unrestricted	<u>2,482</u>	<u>2,147</u>	<u>1,363</u>	<u>1,477</u>	<u>4,904</u>
Total business type activities net assets	\$ <u>13,818</u>	\$ <u>14,010</u>	\$ <u>13,737</u>	\$ <u>14,704</u>	\$ <u>35,963</u>
Primary Government:					
Invested in capital assets, net of related debt	\$ 18,750	\$ 23,309	\$ 30,440	\$ 60,985	\$ 63,159
Restricted	1,584	1,682	1,747	1,750	1,078
Unrestricted	<u>8,911</u>	<u>9,638</u>	<u>9,478</u>	<u>4,542</u>	<u>12,904</u>
Total primary government net assets	\$ <u>29,245</u>	\$ <u>34,629</u>	\$ <u>41,665</u>	\$ <u>67,277</u>	\$ <u>77,141</u>

(1) First year of reporting on Government-wide financial statements.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	33,886	\$ 27,558	\$ 34,381	\$ 37,392	\$ 39,873
	1,001	1,015	1,036	1,099	1,075
	<u>8,645</u>	<u>15,578</u>	<u>14,795</u>	<u>15,222</u>	<u>14,677</u>
\$	<u>43,532</u>	\$ <u>44,151</u>	\$ <u>50,212</u>	\$ <u>53,713</u>	\$ <u>55,625</u>
\$	33,644	\$ 35,088	\$ 39,705	\$ 41,334	\$ 42,240
	95	95	95	95	95
	<u>4,554</u>	<u>4,567</u>	<u>4,160</u>	<u>5,157</u>	<u>6,340</u>
\$	<u>38,293</u>	\$ <u>39,750</u>	\$ <u>43,960</u>	\$ <u>46,586</u>	\$ <u>48,675</u>
\$	67,530	\$ 62,646	\$ 74,086	\$ 78,726	\$ 82,113
	1,096	1,110	1,131	1,194	1,170
	<u>13,199</u>	<u>20,145</u>	<u>19,779</u>	<u>20,379</u>	<u>21,017</u>
\$	<u>81,825</u>	\$ <u>83,901</u>	\$ <u>94,996</u>	\$ <u>100,299</u>	\$ <u>104,300</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	Fiscal Year				
	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental Activities:					
General government	\$ 2,347	\$ 2,190	\$ 2,509	\$ 2,711	\$ 2,565
Public safety	6,699	5,535	5,555	5,684	6,436
Public services	4,123	4,312	5,421	6,859	5,798
Culture and recreation	2,063	1,660	984	1,982	2,288
Community development	2,562	1,941	1,896	1,467	1,674
Interest on long-term debt	568	832	609	634	714
Total governmental activities expenses	<u>18,362</u>	<u>16,470</u>	<u>16,974</u>	<u>19,337</u>	<u>19,475</u>
Business Type Activities:					
Solid waste	1,737	1,852	1,889	1,686	2,037
Sewer utility	3,401	3,498	3,618	3,842	3,991
Events center	-	-	-	-	1,161 (2)
Other (Transit/Golf)	1,113	1,493	1,615	1,731	1,793
Total business type activities expenses	<u>6,251</u>	<u>6,843</u>	<u>7,122</u>	<u>7,259</u>	<u>8,982</u>
Total primary government expenses	<u>24,613</u>	<u>23,313</u>	<u>24,096</u>	<u>26,596</u>	<u>28,457</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	1,032	1,121	1,211	1,537	1,491
Public safety	411	431	413	464	217
Public services	1,585	2,375	2,481	2,812	2,720
Culture and recreation	778	745	746	856	674
Community development	728	290	627 (4)	1,691 (4)	151
Operating grants and contributions	3,726	3,033	2,909	2,903	3,157
Capital grants and contributions	1,258	1,768	2,830 (3)	5,152 (3)	1,050
Total governmental activities program revenues	<u>9,518</u>	<u>9,763</u>	<u>11,217</u>	<u>15,415</u>	<u>9,460</u>
Business Type Activities:					
Charges for services:					
Solid waste	1,590	1,916	1,568	1,674	1,575
Sewer utility	3,294	3,374	3,235	3,911	3,783
Events center	-	-	-	-	293
Other (Transit/Golf)	476	633	675	717	660
Operating grants and contributions	288	364	239	469	651
Capital grants and contributions	16	77	519	567	6,621 (5)
Total business type activities program revenues	<u>5,664</u>	<u>6,364</u>	<u>6,236</u>	<u>7,338</u>	<u>13,583</u>
Total primary government program revenues	\$ <u>15,182</u>	\$ <u>16,127</u>	\$ <u>17,453</u>	\$ <u>22,753</u>	\$ <u>23,043</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,478	\$ 2,609	\$ 2,270	\$ 2,454	\$ 2,504
6,780	7,160	7,418	7,878	7,957
6,817	7,783	7,624	7,865	8,286
2,319	2,415	2,459	2,607	3,086
1,508	1,392	1,668	1,672	2,384
768	734	878	472	510
<u>20,670</u>	<u>22,093</u>	<u>22,317</u>	<u>22,948</u>	<u>24,727</u>
1,886	2,179	1,941	2,118	2,124
4,549	5,050	5,138	5,866	5,997
1,755	1,765	1,817	1,684	2,041
1,943	1,800	1,483	1,580	1,466
<u>10,133</u>	<u>10,794</u>	<u>10,379</u>	<u>11,248</u>	<u>11,628</u>
<u>30,803</u>	<u>32,887</u>	<u>32,696</u>	<u>34,197</u>	<u>36,355</u>
1,598	1,563	1,767	1,825	1,721
530	623	723	899	848
3,249	2,970	3,184	4,060	3,292
785	1,151	717	854	905
27	12	36	76	162
2,988	3,056	3,612	3,054	3,088
642	409	5,259	2,061	2,151
<u>9,819</u>	<u>9,784</u>	<u>15,298</u>	<u>12,829</u>	<u>12,167</u>
1,942	1,952	2,099	2,419	2,751
4,264	5,039	5,670	5,723	5,993
526	583	655	746	867
634	428	191	203	154
666	679	792	1,280	549
<u>1,919</u>	<u>791</u>	<u>3,920</u>	<u>1,023</u>	<u>782</u>
<u>9,951</u>	<u>9,472</u>	<u>13,327</u>	<u>11,394</u>	<u>11,096</u>
\$ <u>19,770</u>	\$ <u>19,256</u>	\$ <u>28,625</u>	\$ <u>24,223</u>	\$ <u>23,263</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>Fiscal Year</u>				
	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (expense) revenue:					
Governmental activities	\$ (8,844)	\$ (6,707)	\$ (5,757)	\$ (3,922)	\$ (10,015)
Business type activities	<u>(587)</u>	<u>(479)</u>	<u>(886)</u>	<u>79</u>	<u>4,601</u>
Total primary government net expense	<u>(9,431)</u>	<u>(7,186)</u>	<u>(6,643)</u>	<u>(3,843)</u>	<u>(5,414)</u>
General Revenues and Other Changes					
In Net Assets					
Governmental Activities:					
Taxes:					
Property taxes	8,489	8,780	9,721	9,920	10,833
Sales taxes	2,255	2,218	2,359	2,791	2,783
Other taxes	931	882	921	917	574
Investment earnings	357	100	195	268	363
Miscellaneous	40	141	138	22	49
Transfers	<u>56</u>	<u>(204)</u>	<u>(135)</u>	<u>(359)</u>	<u>(5,563)</u>
Total governmental activities	<u>12,128</u>	<u>11,917</u>	<u>13,199</u>	<u>13,559</u>	<u>9,039</u>
Business Type Activities:					
Property taxes	295	295	324	336	354
Investment earnings	214	171	154	169	258
Miscellaneous	-	-	-	-	103
Transfers	<u>(56)</u>	<u>204</u>	<u>135</u>	<u>383</u>	<u>5,563</u>
Total business type activities	<u>453</u>	<u>670</u>	<u>613</u>	<u>888</u>	<u>6,278</u>
Total primary government	<u>12,581</u>	<u>12,587</u>	<u>13,812</u>	<u>14,447</u>	<u>15,317</u>
Change in Net Assets:					
Government activities	3,284	5,210	7,442	9,637	(976)
Business type activities	<u>(134)</u>	<u>191</u>	<u>(273)</u>	<u>967</u>	<u>10,879</u>
Total primary government	\$ <u>3,150</u>	\$ <u>5,401</u>	\$ <u>7,169</u>	\$ <u>10,604</u>	\$ <u>9,903</u>

- (1) First year of reporting on Government-wide financial statements.
- (2) The Bridge View Events Center opened December 31, 2006. During construction from 2004 to 2006 it was accounted for in a capital projects fund.
- (3) Included \$1,137 and \$4,583 Vision Iowa grant revenue for construction of the Bridge View Events Center for fiscal years 2005 and 2006, respectively.
- (4) Included \$322 and \$1,321 donations for construction of the Bridge View Events Center for fiscal years 2005 and 2006, respectively.
- (5) Included \$2,662 for construction of the Bridge View Events Center and \$3,673 for sewer separation.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ (10,852)	\$ (12,309)	\$ (7,019)	\$ (10,121)	\$ (12,561)
<u>(181)</u>	<u>(1,322)</u>	<u>2,949</u>	<u>145</u>	<u>(532)</u>
<u>(11,033)</u>	<u>(13,631)</u>	<u>(4,070)</u>	<u>(9,976)</u>	<u>(13,093)</u>
11,042	11,258	11,371	11,821	12,450
2,847	2,839	2,770	3,075	3,060
582	568	583	611	607
390	259	136	102	95
17	60	58	48	45
<u>(1,673)</u>	<u>(2,056)</u>	<u>(1,837)</u>	<u>(2,036)</u>	<u>(2,180)</u>
<u>13,205</u>	<u>12,928</u>	<u>13,081</u>	<u>13,621</u>	<u>14,077</u>
352	372	379	389	380
267	167	74	56	61
220	184	-	-	-
<u>1,673</u>	<u>2,056</u>	<u>1,837</u>	<u>2,036</u>	<u>2,180</u>
<u>2,512</u>	<u>2,779</u>	<u>2,290</u>	<u>2,481</u>	<u>2,621</u>
<u>15,717</u>	<u>15,707</u>	<u>15,371</u>	<u>16,102</u>	<u>16,698</u>
2,354	619	6,062	3,500	1,516
<u>2,330</u>	<u>1,457</u>	<u>5,239</u>	<u>2,626</u>	<u>2,089</u>
\$ <u>4,684</u>	\$ <u>2,076</u>	\$ <u>11,301</u>	\$ <u>6,126</u>	\$ <u>3,605</u>

CITY OF OTTUMWA, IOWA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Utility Replacement</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
2003	\$ 473	\$ 8,489	\$ 2,255	\$ 458	\$ 11,675
2004	438	8,780	2,218	444	11,880
2005	431	9,721	2,359	490	13,001
2006	418	9,920	2,791	499	13,628
2007	445	10,388	2,783	574	14,190
2008	434	10,612	2,847	582	14,475
2009	426	10,833	2,839	567	14,665
2010	412	11,337	2,770	583	15,102
2011	382	11,828	3,075	611	15,896
2012	380	12,472	3,061	607	16,520

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:			
Reserved	\$ -	\$ -	\$ 110
Unreserved	1,327	1,356	1,389
Nonspendable	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	\$ <u>1,327</u>	\$ <u>1,356</u>	\$ <u>1,499</u>
All Other Governmental Funds:			
Reserved	\$ 17,301 (1)	\$ 15,801 (1)	\$ 16,846 (1)
Unreserved, report in:			
Sp Special revenue funds	1,190	1,052	1,001
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
Total all other governmental funds	\$ <u>18,491 (1)</u>	\$ <u>16,853 (1)</u>	\$ <u>17,847 (1)</u>

(1) Includes Events Center Construction Fund balances of \$10,733; \$10,176; \$9,729 and \$2,399 for June 30, 2003 to 2006, respectively.

(2) Fiscal years June 30, 2006 and earlier reported compensated absences as liabilities in the governmental funds. The General Fund had \$362 and the other governmental funds had \$94 reported as liabilities as of June 30, 2006. Those liabilities have been removed from the governmental fund financial statements and prior year fund balances have not been restated.

(3) The City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2011.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (3)</u>	<u>2012</u>
\$ 113	\$ 142	\$ 142	\$ 142	\$ 8	\$ -	\$ -
1,757 (2)	2,244	2,431	2,431	2,130	-	-
-	-	-	-	-	4	3
-	-	-	-	-	257	-
-	-	-	-	-	2,650	2,919
\$ <u>1,870</u>	\$ <u>2,386</u>	\$ <u>2,573</u>	\$ <u>2,573</u>	\$ <u>2,138</u>	\$ <u>2,911</u>	\$ <u>2,922</u>
\$ 9,905 (1)	\$ 8,076	\$ 8,940	\$ 8,940	\$ 11,503	\$ -	\$ -
1,235 (2)	1,342	1,530	1,530	1,908	-	-
-	-	-	-	-	1,010	1,081
-	-	-	-	-	11,649	11,414
-	-	-	-	-	-	(34)
\$ <u>11,140</u> (1)	\$ <u>9,418</u>	\$ <u>10,470</u>	\$ <u>10,470</u>	\$ <u>13,411</u>	\$ <u>12,659</u>	\$ <u>12,495</u>

CITY OF OTTUMWA, IOWA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Taxes	\$ 11,675	\$ 11,879	\$ 13,001	\$ 13,628
Licenses and permits	351	291	334	366
Intergovernmental	5,084	4,801	5,739	8,055
Money and property	753	876	930	1,277
Charges for services	2,674	3,448	3,647	4,030
Fines	102	122	125	128
Miscellaneous	969	398	798	1,862
Total revenues	<u>21,608</u>	<u>21,815</u>	<u>24,574</u>	<u>29,346</u>
Expenditures				
General government	2,028	2,085	2,442	2,651
Public safety (1)	6,717 (1)	4,937	5,805	5,606
Public works	3,881	4,688	4,844	5,423
Health and social services	307	309	380	561
Culture and recreation	2,031	2,007	2,040	2,254
Community and economic development	798	805	533	684
Capital outlay (2)	6,147	5,197 (2)	5,649 (2)	15,196 (2)
Debt service:				
Principal	2,187	2,461	3,205	2,633
Interest	361	939	666	655
Total expenditures	<u>24,457</u>	<u>23,428</u>	<u>25,564</u>	<u>35,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,849)</u>	<u>(1,613)</u>	<u>(990)</u>	<u>(6,317)</u>
Other financing sources (uses):				
Transfers in	4,186	5,647	6,092	6,633
Transfers out	(4,093)	(5,799)	(6,268)	(7,153)
Bond proceeds (2)	15,635 (2)	-	2,335	500
Bond issue costs	(22)	-	(32)	-
Refunding bond payments	-	-	-	-
Total other financing sources (uses)	<u>15,706</u>	<u>(152)</u>	<u>2,127</u>	<u>(20)</u>
Total changes in fund balances	\$ <u>12,857</u>	\$ <u>(1,765)</u>	\$ <u>1,137</u>	\$ <u>(6,337)</u>
Debt service as a percentage of noncapital expenditures	% 13.9 %	18.6 %	19.4 %	16.1 %

(1) 100% of the local option sales tax for FY 1999 through FY 2003 was dedicated to the Wapello County Joint Law Enforcement Center.

(2) Bond proceeds in FY 2003 of \$11,000 for the Bridge View Events Center which was completed December 31, 2006. Capital outlay included \$465, \$2,127 and \$13,475 for fiscal years 2004, 2005 and 2006, respectively.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 14,190	\$ 14,472	\$ 14,665	\$ 14,724	\$ 15,507	\$ 16,117
277	315	296	269	304	360
3,930	3,630	3,464	8,871	5,115	5,238
1,075	1,123	930	780	636	643
3,942	4,252	4,217	4,271	5,126	4,414
119	260	334	289	340	381
662	493	791	583	960	1,215
<u>24,195</u>	<u>24,545</u>	<u>24,697</u>	<u>29,787</u>	<u>27,988</u>	<u>28,368</u>
2,484	2,320	2,407	2,289	2,409	2,386
5,823	5,877	6,020	6,236	7,337	7,432
5,135	5,971	5,862	5,626	6,582	6,911
491	522	547	606	541	590
2,155	2,125	2,172	2,396	2,529	2,770
676	441	783	1,069	1,087	1,810
3,167	2,226	2,050	7,154	5,396	4,964
1,916	2,124	3,523	2,525	3,238	2,543
674	796	1,035	773	469	522
<u>22,521</u>	<u>22,402</u>	<u>24,399</u>	<u>28,674</u>	<u>29,588</u>	<u>29,928</u>
<u>1,674</u>	<u>2,143</u>	<u>298</u>	<u>1,113</u>	<u>(1,600)</u>	<u>(1,560)</u>
7,022	9,160	7,866	7,478	9,310	12,030
(12,648)	(10,731)	(10,065)	(9,300)	(11,404)	(14,486)
4,710	680	5,165	-	8,424	2,944
(21)	(13)	(49)	-	(69)	(37)
-	-	-	-	(4,640)	-
<u>(937)</u>	<u>(904)</u>	<u>2,917</u>	<u>(1,822)</u>	<u>1,621</u>	<u>451</u>
\$ <u>737</u>	\$ <u>1,239</u>	\$ <u>3,215</u>	\$ <u>(709)</u>	\$ <u>21</u>	\$ <u>(1,109)</u>
13.3 %	14.5 %	21.6 %	12.9 %	18.2 %	12.3 %

CITY OF OTTUMWA, IOWA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
 UNAUDITED
 (In Thousands of Dollars)

Fiscal Year Ended June 30	Real Property			Personal Property	Total Assessed Value	Less: (2) Tax Exempt Real Property
	Residential Property	Commercial Property	Other Property (1)			
2003 (3)	\$ 433,766	\$ 119,161	\$ 59,296	\$ 1,916	\$ 614,139	\$ 215,997
2004	437,280	121,682	62,235	-	621,197	216,184
2005 (4)	462,608	161,992	64,683	-	689,283	248,288
2006	464,815	176,776	64,926	-	706,517	251,106
2007 (5)	522,207	183,813	63,515	-	769,535	291,873
2008	526,914	183,139	66,595	-	776,648 (6)	303,516
2009	585,903	186,441	66,648	-	838,992 (6)	335,562
2010	588,920	187,484	67,397	-	843,801 (6)	330,259
2011	627,402	200,662	72,184	-	900,248 (6)	358,118
2012	630,288	232,338	77,523	-	940,149 (6)	354,217

(1) Utilities, industrial and railroad property.

(2) Residential property is subject to a statewide formula that "rolls back" the assessed value. The formula has ranged from 51.67% in FY 2002 to 48.53% in FY 2012.

(3) State ordered increase of 8% to residential values.

(4) State ordered increase of 5% to residential and 17% to commercial values.

(5) State ordered increase of 12% to residential values.

(6) Does not include captured TIF increment. Captured TIF increment for FY 2012 amounted to 26.8 million taxable (900.6 million assessed value).

	<u>Total Taxable Value</u>		<u>Total Direct Tax Rate</u>		<u>Taxable Value to Assessed Value</u>
\$	398,142	\$	20.441	\$	64.8
	405,013		20.985		65.2
	440,995		21.434		64.0
	455,411		21.593		64.5
	477,662		21.614		62.1
	473,132		22.080		61.3
	503,330		21.058		60.0
	513,542		20.793		60.9
	542,130		20.456		60.2
	585,932		20.034		62.3

CITY OF OTTUMWA, IOWA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>City of Ottumwa</u>			<u>Wapello County</u>			<u>Overlapping</u>
	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	
2003	\$ 16.400	\$ 4.041	\$ 20.441	\$ 7.300	\$ 0.258	\$ 7.558	
2004	16.945	4.040	20.985	7.553	0.247	7.800	
2005	17.296	4.138	21.434	8.131	0.260	8.391	
2006	18.243	3.350	21.593	8.837	0.218	9.055	
2007	18.377	3.237	21.614	9.638	0.210	9.848	
2008	18.281	3.789	22.070	10.085	-	10.085	
2009	17.473	3.589	21.058	9.591	-	9.591	
2010	17.194	3.599	20.793	9.411	0.326	9.737	
2011	17.006	3.450	20.456	8.809	0.308	9.117	
2012	16.914	3.120	20.034	8.502	0.293	8.795	

Source: Wapello County Auditor's Office

* For fiscal years 2005, 2006 and 2007, the school debt was paid from School Infrastructure Local Option Sales Tax (SILO)

<u>Rates</u>					Total Direct and Overlapping Rates
<u>Ottumwa Community School District</u>					
<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	<u>Other Levies</u>		
\$ 14.960	\$ 2.631	\$ 17.591	\$ 1.295	\$ 46.885	
14.964	2.600	17.564	1.233	47.582	
14.851	*	14.851	1.205	45.881	
14.945	*	14.945	1.293	46.886	
13.858	*	13.858	1.375	46.695	
14.086	0.501	14.587	1.260	48.002	
13.944	1.000	14.944	1.281	46.874	
13.944	1.000	14.944	1.362	46.836	
13.970	1.000	14.970	1.427	45.970	
13.876	0.921	14.797	1.617	45.242	

CITY OF OTTUMWA, IOWA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO

UNAUDITED

(Amounts Expressed in Thousands)

Taxpayer	2012			2003		
	January 1, 2009 Taxable Value	Rank	Percentage of Total Taxable Value	January 1, 2000 Taxable Value	Rank	Percentage of Total Taxable Value
RCHP - Ottumwa Inc.	\$ 35,301	1	6.13 %	\$ -	-	- %
Interstate Power and Light	27,535	2	4.78	18,017	1	4.21
Cargill Meat Solutions	15,991	3	2.78	14,877	2	3.48
Regional Retirement Living-Ottumwa LLC	12,990	4	2.26	3,546	9	0.83
Walmart Real Estate Business Trust	11,263	5	1.96	-	-	-
Menard Inc.	9,621	6	1.67	-	-	-
Mid American Energy	8,486	7	1.48	6,474	5	1.51
Developers Diversified Realty	8,022	8	1.27	11,832	3	2.77
Ottumwa Medical Clinic Inc.	7,341	9	1.25	5,383	6	1.25
John Deere Ottumwa Works	7,194	10	1.24	8,345	4	1.95
Millard Refrigerated Services	-	-	-	3,987	8	0.97
Qwest Corp.	-	-	-	5,306	7	1.24
Dayton Hudson Corp.	-	-	-	2,949	10	0.69
Totals	\$ <u>143,744</u>		<u>24.82</u> %	\$ <u>80,716</u>		<u>18.90</u> %

Source: Wapello County Auditor's Office

CITY OF OTTUMWA, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Total Tax</u> <u>Levy for (1)</u> <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>		<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>			<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>
2003 (2)	\$ 9,170	\$ 9,293	100.0 %	5	\$	9,298	100.0 %
2004 (2)	9,532	9,490	99.6	8		9,498	99.6
2005 (2)	10,517	10,464	99.5	12		10,476	99.6
2006 (2)	10,621	10,662	100.0	11		10,673	100.0
2007 (2)	10,676	10,663	99.9	2		10,665	99.9
2008 (2)	10,954	10,610	96.9	1		10,611	96.9
2009 (2)	11,646	11,645	99.9	2		11,657	100.0
2010 (2)	11,797	11,746	99.6	3		11,749	99.6
2011 (2)	12,108	12,136	100.2	19		12,155	100.4
2012 (2)	12,864	12,832	99.9	-		12,832	99.9

(1) Includes TIF Taxes

(2) Includes Utility Replacement Taxes

CITY OF OTTUMWA, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
	<u>General Obligation Bonds</u>		<u>Sewer Bonds</u>	<u>General Obligation Bonds</u>			
2003	\$ 20,017	\$	10,640	\$ 985	\$ 31,642	3.67 %	\$ 1,266
2004	17,556		9,946	870	28,372	3.22	1,135
2005	16,786		9,223	750	26,759	2.81	1,070
2006	14,653		8,623	625	23,901	2.46	964
2007	8,664		7,790	11,054	27,508	2.86	1,109
2008	7,245		7,020	11,367	25,632	2.62	1,060
2009	8,575		8,071	14,534	31,180	3.02	1,257
2010	6,130		9,552	13,036	28,718	3.48	1,158
2011	6,610		12,060	11,043	29,713	3.73	1,187
2012	6,998		12,494	8,940	28,432	N/A	1,136

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Demographic and Economic Statistics on page 102 for personal income and population data.

CITY OF OTTUMWA, IOWA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2003	\$ 20,017	\$ 98	\$ 19,919	3.24 %	\$ 797
2004	17,556	82	17,474	2.81	699
2005	16,786	203	16,583	2.41	662
2006	14,653	297	14,356	2.03	579
2007	16,949	244	16,705	2.17	674
2008	18,612	248	18,364	2.36	759
2009	23,109	256	22,853	2.72	915
2010	19,166	369	18,797	2.23	777
2011	17,653	316	17,337	1.92	693
2012	15,938	276	15,662	1.67	626

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on pages 90 and 91 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 102.

CITY OF OTTUMWA, IOWA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2012

UNAUDITED

(Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Wapello County	\$ 2,122	55.31 %	\$ 1,174
Ottumwa Community Schools	9,110	77.07	<u>7,021</u>
Subtotal, overlapping debt			8,195
City of Ottumwa direct debt			<u>15,938</u>
Total direct and overlapping debt			\$ <u>24,133</u>

Source: Debt outstanding was obtained from Ottumwa Community Schools and Wapello County. Assessed value data used to estimate applicable percentages were provided by Wapello County Auditor's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Ottumwa. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
 UNAUDITED
 (Amounts Expressed in Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 32,308	\$ 32,615	\$ 35,950
Total net debt applicable to limit	<u>20,905</u>	<u>18,345</u>	<u>17,333</u>
Legal debt margin	\$ <u>11,403</u>	\$ <u>14,270</u>	\$ <u>18,617</u>
Total net debt applicable to the limit as a percentage of debt limit	64.71 %	56.25 %	48.21 %

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 36,656	\$ 39,854	\$ 40,211	\$ 43,669	\$ 43,899	\$ 46,070	\$ 48,200
<u>14,981</u>	<u>19,718</u>	<u>18,612</u>	<u>23,109</u>	<u>19,166</u>	<u>17,653</u>	<u>15,662</u>
\$ <u>21,675</u>	\$ <u>20,136</u>	\$ <u>21,599</u>	\$ <u>20,560</u>	\$ <u>24,733</u>	\$ <u>28,417</u>	\$ <u>32,538</u>
40.87 %	49.48 %	46.29 %	52.91 %	43.66 %	38.32 %	32.50 %

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2012

Total assessed value	\$ <u>964,002</u>
Debt limit (5% of total assessed value)	\$ <u>48,200</u>
Debt applicable to limit:	
General obligation bonds	15,938
Less: Amount set aside for repayment of general obligation debt	<u>276</u>
Total net debt applicable to limit	<u>15,662</u>
Legal debt margin	\$ <u>32,538</u>

Note: Under state finance law, the City of Ottumwa, Iowa's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By Law, the general obligation debt subject to the limitation may be offset by amounts set aside for repayment of general obligation

CITY OF OTTUMWA, IOWA

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Sewer Revenue Bonds</u>					
	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003	3,437	2,184	1,253	668	472	1.10
2004	3,470	2,388	1,082	694	444	0.95
2005	3,299	2,444	855	723	415	0.75
2006	3,993	2,701	1,292	751	359	1.16
2007	3,973	2,724	1,249	802	283	1.15
2008	4,317	2,834	1,483	831	234	1.39
2009	5,087	3,119	1,968	860	229	1.81
2010	5,491	3,193	2,298	1,612	274	1.22
2011	5,452	3,413	2,039	997	325	1.54
2012	5,819	3,075	2,744	1,089	365	1.89

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Sewer charges and other includes investment income. Operating expenses do not include interest or depreciation.

CITY OF OTTUMWA, IOWA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
 UNAUDITED

<u>Fiscal Year</u>	<u>Population</u>		<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
	<u>City</u>	<u>County</u>	<u>(In Thousands)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
2003	24,998	35,922	\$ 862,582	\$ 24,013	38.2	12.7	4,889	6.4 %
2004	24,998	35,867	880,388	24,546	38.2	12.7	4,889	6.7
2005	24,998	35,793	951,425	26,581	38.2	12.7	4,860	5.7
2006	24,798	35,965	970,839	26,994	38.2	12.7	4,768	4.5
2007	24,800	36,010	961,035	26,688	38.2	12.7	4,745	4.1
2008	24,187	35,513	979,768	27,589	38.2	12.7	4,591	4.4
2009	24,962	35,334	1,032,177	29,212	38.2	12.7	4,582	8.9
2010	24,195	35,965	824,030	22,912	38.2	12.7	4,856	8.2
2011	25,023	35,625	797,145	22,376	39.8	12.7	4,530	7.9
2012	25,023	35,625	N/A	N/A	39.8	12.7	4,751	7.9

Data Sources:

(1) Bureau of Census

(2) School District

(3) Iowa Workforce Development

Note: Personal income and per capita personal income are based on Wapello County statistics. City of Ottumwa figures are not readily available.

CITY OF OTTUMWA, IOWA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Cargill Meat Solutions	2,250	1	11.29 %	2,000	1	10.03 %
John Deere Ottumwa Works	950	2	4.77	853	3	4.28
Ottumwa Community Schools	700	4	3.51	950	2	4.77
HyVee Corporation	334	7	1.68	440	4	2.21
Walmart Super Center	383	5	1.92	270	7	1.35
Indian Hills Community College	343	6	1.72	210	8	1.05
City of Ottumwa	263	8	1.32	325	5	1.63
Winbco	235	9	1.18	312	6	1.57
Dr Pepper Snapple Group	200	10	1.00	-	-	-
Regional Ventures	-	-	-	200	9	1.00
RCHP - Ottumwa, Inc.	950	3	4.77	-	-	-
Southern Prairie AEA	-	-	-	200	10	1.00
	<u>6,608</u>		<u>33.16 %</u>	<u>5,760</u>		<u>28.89 %</u>

Source: Official statements for bond issues and prior City annual reports.

CITY OF OTTUMWA, IOWA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government	12	12	12	13	13	13	12	12	12	11
Public Safety:										
Police:										
Officers	36	36	36	36	36	36	37	40	40	40
Civilians	11	10	10	10	9	9	9	9	10	10
Firefighters	33	33	33	33	33	33	33	33	33	32
Public Services:										
Engineering	8	8	8	9	9	9	9	9	9	9
Maintenance	33	32	34	34	34	31 *	31 *	27 *	28 *	28 *
Health and Social Services	7	6	6	6	7	7	7	7	6	6
Culture and Recreation:										
Parks/Beach	29	29	26	26	26	23 *	23 *	23 *	23 *	23 *
Cemetery	7	7	7	7	7	4	5	4	4	3
Library	10	10	10	11	11	12	12	11	11	11
Community Development	5	5	4	4	4	4	4	4	5	5
Solid Waste	12	13	13	13	13	13	12	12	12	12
Sewer	21	22	22	22	22	22	22	23	24	21
Transit/Golf	16	19	19	18	20	23	25	18	19	17
 Total	 <u>240</u>	 <u>242</u>	 <u>240</u>	 <u>242</u>	 <u>244</u>	 <u>239</u>	 <u>241</u>	 <u>232</u>	 <u>236</u>	 <u>228</u>

Source: City Personnel Budget

* Decrease due to contracting out some seasonal employees.

CITY OF OTTUMWA, IOWA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Function	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police: (1)										
1. Physical arrests	3,357	3,695	3,623	3,607	3,788	3,606	3,963	3,780	3,925	3,987
2. Traffic tickets	5,355	4,561	4,277	4,675	5,222	4,620	5,406	5,179	4,168	4,042
3. Parking citations	5,942	5,174	3,158	2,587	2,623	2,747	2,473	2,212	2,300	2,129
Fire: (1)										
4. Number of calls answered (3)	1,566	2,228	2,223	2,297	2,450	2,684	2,534	2,364	2,617	2,507
5. Fire prevention activities	143	139	145	137	360	307	229	194	197	210
Highways and Streets: (1)										
Street resurfacing (miles)	(2)	(2)	(2)	(2)	2.91	4.53	405	3.50	2.50	4.30
Pot holes repaired	(2)	(2)	(2)	(2)	3,002	3,102	4,653	10,546	9,791	16,680
Utility patches repaired	(2)	(2)	(2)	(2)	157	149	78	74	56	39
City Sanitation:										
Refuse collected (tons)	6,352	6,382	6,587	6,641	6,828	7,027	6,922	7,127	7,101	7,066
Recyclables collected (tons)	1,040	1,057	1,069	1,074	1,049	1,090	1,089	1,155	1,117	1,065
Solid Waste:										
Landfill tonnage	41,498	41,503	35,670	37,793	43,930	35,958	36,005	37,771	38,001	42,971
Recycling tonnage	2,694	2,751	2,993	2,968	2,666	3,049	3,360	2,770	3,187	2,854
Health Department:										
Number of inspections	(2)	(2)	(2)	2,495	2,490	2,503	3,287	4,856	4,928	4,758
Nuisance complaints	(2)	(2)	(2)	2,926	2,916	2,659	2,373	2,269	2,034	2,136
Culture and Recreation:										
Beach Ottumwa admissions (2)	(2)	(2)	(2)	(2)	(2)	19,830	25,487	21,042	23,861	21,863
Golf rounds played (1)	27,500	28,940	30,740	31,112	30,134	27,260	25,066	25,113	24,325	26,829
Wastewater: (1)										
Average sewage treatment (thousands of gallons)	4,894	4,437	5,621	4,768	6,499	6,423	7,495	7,483	6,745	5,151

Sources: Various City Departments.

(1) Police, Fire, Highways and Streets, Golf and Wastewater statistics are for the previous calendar year

(2) Information not readily available

(3) Fire Department started responding to traffic accidents and medical calls during 2003

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
 UNAUDITED

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Function:						
Public Safety:						
Police:						
Stations	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10
Fire stations	2	2	2	2	2	2
Public Works:						
Highways and Streets:						
Streets (miles)	(2)	(2)	(2)	(2)	156.2	156.2
Streetlights	2,463	2,463	2,358	2,358	2,359	2,359
Traffic signals	(2)	(2)	(2)	27	27	26
Culture and Recreation: (1)						
Parks acreage	716	716	533	533	533	533
Parks	17	17	19	19	19	22
Playgrounds	14	14	11	11	11	12
Tennis courts	17	17	10	10	10	10
Softball/baseball diamonds	24	24	20	20	20	20
Library:						
Items in collection	61,416	64,262	67,217	71,077	79,432	83,093
Cemeteries:						
Facilities	3	3	3	3	3	3
Acreage	88	88	88	88	88	88
Sewer:						
Sanitary sewers (miles)	(2)	(2)	(2)	(2)	48.8	48.8
Storm sewers (miles)	(2)	(2)	(2)	(2)	13.5	15.9
Combined sewers	(2)	(2)	(2)	(2)	66.86	64.46
Maximum daily treatment capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000	10,000

Sources: Various City departments.

Note: No capital asset indicators are available for the general government function.

(1) The City also owns one golf course (Cedar Creek) and one water recreation park (Beach Ottumwa)

(2) Information not readily available

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1	1	1	1
10	10	10	10
2	2	2	2
156.2	156.2	156.2	156.2
2,359	2,359	2,359	2,359
26	26	26	26
533	533	533	533
22	22	22	22
12	12	13	13
10	10	10	10
20	20	20	20
89,148	87,725	63,505	64,652
3	3	3	3
88	88	88	88
48.8	48.8	48.8	48.8
18.3	21.5	25.4	26.4
62.06	58.90	55.00	54.00
10,000	10,000	10,000	10,000

CITY OF OTTUMWA, IOWA



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Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the City Council
Ottumwa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City of Ottumwa, Iowa's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2013. We conducted our audit in accordance with U.S. generally accepted accounting principles and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

The management of the City of Ottumwa, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ottumwa, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

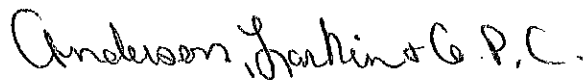
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ottumwa, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Ottumwa, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ottumwa, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.



Ottumwa, Iowa
January 17, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members
of the City Council
Ottumwa, Iowa

Compliance

We have audited the City of Ottumwa, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Ottumwa, Iowa's major federal programs for the year ended June 30, 2012. The City of Ottumwa, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express an opinion on the City of Ottumwa, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ottumwa, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ottumwa, Iowa's compliance with those requirements.

In our opinion, the City of Ottumwa, Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the City of Ottumwa, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
January 17, 2013

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were noted.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:

CFDA Number

16.710	Cops Grant
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
20.509	Formula Grants for Other Than Urbanized Areas
66.458	Capitalization Grants for Clean Water State Revolving Funds

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Ottumwa, Iowa qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

II-A-12 Financial Reporting – Subsequent to the issuance of the financial statements for the year ended June 30, 2011, it was determined that the City had mistakenly failed to recognize revenue related to a prior period. It was also determined that several items had been included in the government-wide financial statements but not reported on the fund financial statements in the prior year. The effects of these items are shown in Note 20 of the current year financial statements.

Recommendation – Procedures should be implemented to ensure that all assets, liabilities, revenues and expenses are correctly reported in the future.

Response – We will do so in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

No material weaknesses in internal control over the major programs were noted.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- IV-B-12 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-12 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Monte Derby, Cemetery board member Happy Joes (Owner)	Food	\$ 173
Kristi McDowell, Finance Department Bob McDowell Construction, Inc. (Spouse is Owner)	Construction	1,852

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with Happy Joes does not appear to represent conflict of interest since total transactions with this business were less than \$1,500 during the fiscal year. The transactions with Bob McDowell Construction, Inc. do not appear to represent conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- IV-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes in the future as required.

Conclusion - Response accepted.

- IV-G-12 Financial Condition - Note 21 to the financial statements reported deficit fund balances at June 30, 2012.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response - We are aware of the deficit balances. See Note 21 for further explanation.

Conclusion - Response accepted.

- IV-H-12 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-I-12 Revenue Bonds/Notes - No instances of non-compliance with the revenue bond/note provisions were noted.